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SELECTED MATERIALS ON THE ECONOMY OF THE SOUTH

REPORT

OF THE

COMMITTEE ON
BANKING AND CURRENCY
UNITED STATES SENATE

STAFF REPORT

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LETTER OF TRANSMITTAL

DEAR SENATOR FULBRIGHT: At your direction, the staff has prepared a report on certain aspects of economic development in the South, with particular reference to income and credit. The materials presented in part I focus on the growth and present status of per capita income in 11 Southern States. Part II is concerned with the major sources of loan funds for business, agriculture, and the consumer.

The primary task of gathering and organizing the data and preparing the report was undertaken by John C. Jackson and Sar A. Levitan, economists of the Legislative Reference Service of the Library of Congress. Miss Frances K. Topping of the committee staff edited the report for publication.

ROBERT A. WALLACE,
Staff director.

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84TH CONGRESS } SENATE { REPORT
2d Session } { No. 2830

SELECTED MATERIALS ON THE ECONOMY OF THE SOUTH

OCTOBER 5, 1956.—Reported under authority of the order of the Senate of July 26 (legislative day, July 16), 1956, and ordered to be printed

Mr. FULBRIGHT, from the Committee on Banking and Currency, submitted the following

REPORT

PART I

INCOME IN THE SOUTH[1]

The average income of the people in the South is lower than that of any of the other six regions of the United States. In 1955 the average per capita income in the South was $1,292, or not quite two-thirds that of the rest of the country.

PER CAPITA INCOME IN THE SOUTH

In 1955, the Southern State with the highest per capita income (Florida) has ranked 24th among all the States. Most of the Southern States were in the lowest fourth on the basis of per capita income. The six States with the lowest income were all in the South. The people in the State with the lowest per capita income (Mississippi) received less than half the average income that was enjoyed by the people in the rest of the Nation.

During the past quarter of a century the South has made significant progress in catching up economically with the rest of the Nation. In 1929, the first year for which data are available, the per capita income of the South was half that of the average for the United States, compared with 70 percent in 1955. During the intervening 26 years the average per capita income, measured in current dollars, rose in the South by 257 percent; the comparable gain in the rest of the country was 141 percent.

The most striking advances in the catching-up process were made during the World War II years. More than half of the gain in the 26-year period was made during the 5-year period between 1940 and

[1] For the purposes of this study, the South includes the following 11 States: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia.

1945. In the next 5 years the South lost some ground, but regained it and inched forward again during the economic and industrial expansion following the outbreak of the Korean war. During both wars, with the rising shortages in human and physical resources, the South enjoyed a relatively greater rise in per capita income than the rest of the country. In 1955, the South and the Far West led all other regions in the relative rise of per capita income. Of the 7 States that marked largest gains during last year, 4 (Alabama, Georgia, Mississippi, and Florida) were in the South.

TABLE 1.—*Per capita income, United States and the South, 1955*

Area	Per capita	Percent of United States	Rank among 48 States
United States	$1,847	100.0	
South	1,292	70.0	
Rest of United States	1,991	107.8	
Alabama	1,181	63.9	45
Arkansas	1,062	57.5	47
Florida	1,654	89.6	24
Georgia	1,333	72.7	38
Kentucky	1,238	67.0	43
Louisiana	1,333	72.7	38
Mississippi	946	51.2	48
North Carolina	1,236	66.9	44
South Carolina	1,108	60.0	46
Tennessee	1,256	68.0	41
Virginia	1,535	83.1	32

Source: U. S. Department of Commerce; Survey of Current Business, August 1956.

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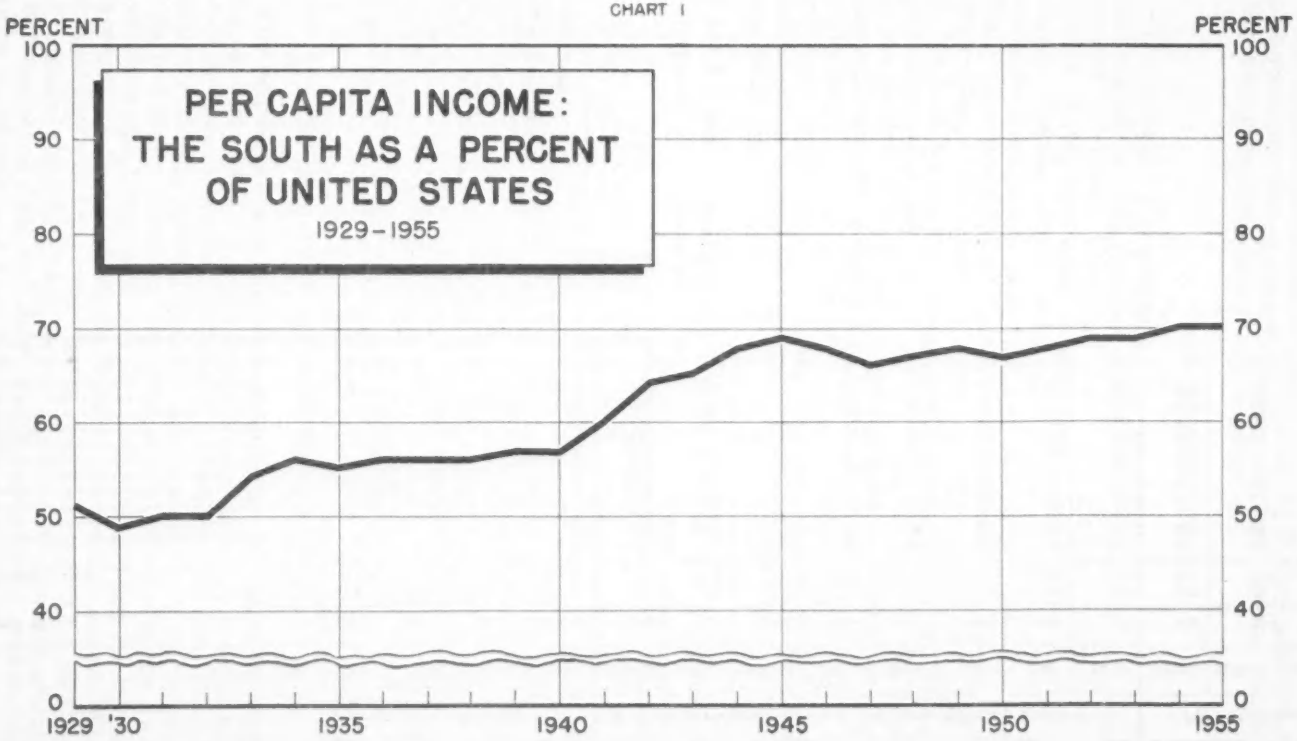
CHART I



SOURCE: U. S. Department of Commerce,
Office of Business Economics

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TABLE 2.—*Changes in total and per capita personal income, United States and the South, selected years, 1929–55*

Area	Total personal income								Per capita personal income							
	Percent of United States					Percent change			Percent of United States					Percent change		
	1929	1940	1946	1950	1955	1929–55	1950–55	1954–55	1929	1940	1946	1950	1955	1929–55	1950–55	1954–55
United States	100.00	100.00	100.00	100.00	100.00	254	35	7	100	100	100	100	100	163	24	5
South	10.74	12.24	14.38	14.19	14.42	376	37	8	51	57	68	67	70	257	29	6
Rest of United States	89.26	87.76	85.62	85.81	85.58	230	34	6	113	112	109	109	108	141	23	5
Alabama	1.00	1.02	1.23	1.18	1.21	329	38	13	46	47	60	58	64	265	36	12
Arkansas	.66	.64	.75	.68	.63	239	24	7	43	43	58	54	57	248	32	8
Florida	.88	1.25	1.60	1.61	1.95	687	63	11	74	86	91	88	90	217	28	5
Georgia	1.18	1.35	1.56	1.56	1.61	381	38	11	50	57	68	68	72	281	31	10
Kentucky	1.19	1.16	1.27	1.26	1.23	265	32	4	56	54	65	64	67	217	29	3
Louisiana	1.01	1.10	1.20	1.30	1.29	352	33	4	59	61	66	73	72	221	22	3
Mississippi	.67	.60	.71	.70	.67	254	27	11	41	37	48	49	51	232	30	11
North Carolina	1.22	1.49	1.82	1.83	1.77	413	31	8	48	55	69	68	67	270	22	5
South Carolina	.55	.74	.84	.82	.84	444	37	7	38	52	61	59	60	310	26	5
Tennessee	1.15	1.27	1.50	1.46	1.41	337	30	6	54	57	69	67	68	233	26	5
Virginia	1.23	1.62	1.90	1.79	1.81	421	37	6	62	78	79	81	83	253	26	4

Source: U. S. Department of Commerce; Survey of Current Business. August 1956, p. 11.

The regional variations in income are due to a complex combination of socioeconomic and natural factors. In the following pages some of the more prominent factors will be examined.

POPULATION

The growth of population, a resultant of both natural increases and migrations, has reflected differences in economic opportunity and income. Between 1940 and 1955 the civilian population of the United States rose twice as rapidly as that of the South. Only 2 States, Florida and Virginia, grew more rapidly than the Nation, while 2 other States, Arkansas and Mississippi, actually lost population during the 15-year period. It is of some significance that the two States which made the highest gains in population also enjoyed the highest per capita income in the South, while the States whose population declined ranked at the bottom, both in the South and in the Nation, in terms of per capita income. This is not meant to suggest that there exists a perfect negative correlation between outmigration and the level of income. Undoubtedly other factors influence population movement, but it appears that regional or area differences in income are significant factors contributing to the migration of population.

TABLE 3.—*Civilian population in United States and the South, 1940, 1950, and 1955*

Area	Civilian population (thousands)			Percent change	
	July 1955	April 1950	April 1940	1940 to 1955	1950 to 1955
United States	162,284	149,634	131,658	+23.2	+8.5
South	32,790	31,438	28,277	+11.6	+4.3
Rest of United States	129,494	118,196	103,381	+25.3	+10.0
Alabama	3,006	3,053	2,841	+5.8	−1.6
Arkansas	1,770	1,908	1,954	−9.4	−2.4
Florida	3,364	2,729	1,905	+75.6	+23.3
Georgia	3,539	3,402	3,102	+14.1	+4.0
Kentucky	2,948	2,913	2,850	+3.4	+1.2
Louisiana	2,902	2,670	2,367	+22.6	+8.7
Mississippi	2,085	2,164	2,176	−4.2	−3.7
North Carolina	4,190	4,014	3,569	+17.4	+4.4
South Carolina	2,226	2,096	1,894	+17.5	+6.2
Tennessee	3,339	3,281	2,935	+13.8	+3.6
Virginia	3,421	3,208	2,684	+27.5	+6.7

Source: U. S. Bureau of the Census; Current Population Reports, Series P-25, Nos. 72 and 125.

The relatively lower gain in population in the South as compared with the rest of the Nation is caused by the number of people moving out of the area rather than by a lower birthrate. The relative excess of births over deaths (natural increase) has been greater in the South than in the rest of the country. The 1954 natural increase in the southern population was 1.9 percent compared with 1.5 percent for the rest of the country. Furthermore, the natural increase in 9 out of 11 Southern States exceeded the 1954 United States average of 1.6 percent and the record of the other 2 States was equal to the national average.

Between April 1950 and July 1954 the number of civilian persons leaving the South was 1,191,000 greater than the number of those moving in, and in 2 of the 11 States the net departures during the 4-year period exceeded one-tenth their total population. Florida was the only State in the South which gained civilian population during the

period, not only as a result of natural growth but also because more people moved into the State than migrated out. More than a tenth of the present population in the State has resulted from the net migration since 1950.

TABLE 4.—*Net civilian migration, United States and the South, April 1950 to July 1954, and percent natural growth, 1954*

Area	Net migration,[1] April 1950 to July 1954 (thousands)	Percent natural growth, 1954
United States	+1,233	1.6
South	−1,191	1.9
Rest of United States	+2,424	1.5
Alabama	−277	1.9
Arkansas	−247	1.7
Florida	+330	1.6
Georgia	−147	2.0
Kentucky	−176	1.6
Louisiana	−30	2.1
Mississippi	−231	2.3
North Carolina	−170	2.0
South Carolina	−67	2.2
Tennessee	−128	1.7
Virginia	−48	1.8

[1] Net total migration comprises both net immigration from abroad and net interstate migration.

Source: U. S. Bureau of the Census; Current Population Reports, Series P-25, No. 124.

LABOR FORCE

Employment by major industry groups

There are large differences in the annual earnings of persons in different occupations. In the United States as a whole, the 1955 average income of persons engaged in agriculture was less than three-fifths the income of persons engaged in nonagricultural occupations. The average agricultural income is sharply pulled down by the concentration of low-income farms in the South.

Even greater disparities are found between the earnings of the full-time employees (excluding proprietors) engaged in agricultural and nonagricultural occupations. Annual earnings of employees engaged in manufacturing during 1955 were 2.7 times the earnings in agriculture. Service employees received the lowest earnings among the nonagricultural group, but the average employee in this category received 70 percent more pay than the average agricultural employee.

TABLE 5.—*Farm and nonfarm income in the United States, 1955*

Item	Farm	Private nonfarm
Total income (millions)	$14,374	$238,078
Total employment (thousands)	5,175	49,011
Annual income per person	$2,778	$4,858

Source: Derived from U. S. Department of Commerce; Survey of Current Business, July 1956, table 28, and August 1956, tables 3 and 4.

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TABLE 6.—*Average annual earnings in United States per full-time employee, 1955*

Industry	*Annual earnings*
All industry	$3,830
Agriculture	1,599
Manufacturing	4,351
Wholesale trade	4,777
Retail trade	3,221
Finance, insurance, real estate	4,032
Transportation	4,755
Services	2,789
Government	3,711

Source: U. S. Department of Commerce; Survey of Current Business, July 1956, p. 20.

Variations in industry distribution have a direct bearing upon differences in levels of personal income among regions. The latest available data for the industry distribution of the total labor force are those of the 1950 census. An examination of these data shows some significant differences between the industry distribution of persons employed in the South and in the Nation. The percentage of persons engaged in agriculture was more than 2.5 times as great in the South as in the rest of the country, while the percentage of persons engaged in manufacturing was only two-thirds as great. Furthermore, in manufacturing, employment in nondurable goods predominated in the South, while in the Nation employment was greater in the production of durable goods, where income and the earnings of workers are substantially higher.

The occupational structure in the South varies considerably among the individual States. The percentage of employed persons engaged in agriculture in 1950 ranged from 12.2 percent in Florida (which equaled the national average) to 42.1 percent in Mississippi.

More recent data for the distribution of employees in nonagricultural establishments cover about 60 percent of the total labor force in the South and exclude proprietors, self-employed, unpaid family workers and domestic workers. The data show that nonagricultural employment in the South during the 16-year period 1939–55 rose by 79 percent as compared with a rise of 63 percent for the rest of the Nation. The greatest relative rise was in finance, insurance and real estate. The total number of jobs in nonagricultural industries also rose relatively more rapidly in the South than in the Nation, but the 11 Southern States trailed the Nation in the growth of construction employment and in manufacturing employment, the expansion was about the same. The relatively low representation of the South in manufacturing, particularly in the more productive and better paid durable goods industries, as well as the relatively high proportion of employment in low-yielding agriculture, go far to account for the relatively low per capita income in the South.

TABLE 7.—*Employment in nonagricultural establishments by major industry groups, United States and the South, 1939 and 1955*

Industry	Employment 1955 (thousands)			1955 as percent of 1939		
	United States	South	Rest of United States	United States	South	Rest of United States
Total	49,950	7,837	42,113	165	179	163
Mining	770	142	628	91	97	90
Contract construction	2,780	482	2,298	242	175	247
Manufacturing	16,556	2,428	14,129	164	163	165
Transportation and public utilities	4,056	616	3,440	139	147	138
Trade	10,803	1,788	9,015	163	204	157
Finance, insurance, and real estate	2,215	283	1,932	162	257	154
Service	5,854	823	5,031	175	181	174
Government	6,915	1,275	5,640	173	193	170

Source: U. S. Department of Labor; Employment and Earnings; Annual Supplement, June 1956.

Florida showed the largest relative as well as absolute growth among the Southern States in nonagricultural jobs between 1939 and 1955. Its relative growth was greater than that of the Nation in every major industrial category, with construction and finance, insurance and real estate growing especially fast. Employment in these categories tripled. Eight other Southern States were ahead of the Nation in their relative rise of nonagricultural employment. Only Arkansas and Kentucky trailed the United States average, but by very slight percentages. Thus, while the rate of growth of nonagricultural employment has been greater than in the rest of the Nation since 1939, the South still has a smaller proportion of its labor force engaged in nonagricultural employment.

TABLE 8.—*Employment in nonagricultural establishments, United States and the South, 1939 and 1955*

[Thousands]

Area	Employment, 1939	Employment, 1955	1955 as percent of 1939
United States	30,287	49,950	165
South	4,372	7,837	179
Rest of United States	25,915	42,113	163
Alabama	398	684	172
Arkansas	196	315	160
Florida	385	933	242
Georgia	512	928	181
Kentucky	377	601	159
Louisiana	393	705	179
Mississippi	201	353	176
North Carolina	612	1,037	169
South Carolina	302	518	172
Tennessee	463	846	183
Virginia	533	918	172

Source: National Industrial Conference Board; The Economic Almanac, 1953–54, pp. 418–419, 430–431 for 1939 data: U. S. Department of Labor; Employment and Earnings, Annual Supplement, June 1956, pp. XII, 64 for 1955 data.

Participation in civilian labor force

The employed persons in the South have to share lower incomes with a larger number of persons than the gainfully employed elsewhere in the United States. The 1950 census of population showed that the number of employed persons per hundred people was 10 percent lower in the South than in the rest of the country. While the varia-

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tions by States do not seem to follow a consistent pattern, every one of the 11 Southern States had a ratio of employed persons to total population lower than the national average. Out of every 100 persons in the South 34.9 were gainfully employed in 1950; the comparable ratio for the rest of the country was 38.3.

TABLE 9.—*Civilian employment as percent of population, United States and the South, 1950*

United States	37.6	Kentucky	32.8
South	34.9	Louisiana	32.8
Rest of United States	38.3	Mississippi	33.1
Alabama	33.2	North Carolina	36.5
Arkansas	32.3	South Carolina	36.0
Florida	37.0	Tennessee	34.6
Georgia	36.9	Virginia	35.8

Source: Derived from U. S. Bureau of the Census; 1950 Census of Population.

Age distribution

A major factor that partly accounts for the lower proportion of the population participating in the labor force in the South lies in regional differences of age distribution. According to estimates made by the Bureau of the Census in 1953, persons between the ages of 18 and 64, those most likely to be in the labor force, constituted 54.3 percent of the Southern population in 1954; the comparable percentage for the rest of the Nation was 4.1 points higher. The smaller proportion in the most productive age groups in the South may be due to the somewhat higher birthrates, but is more likely the result of outmigration, which is heaviest among those entering or in the prime of productive life. These forces may be greater than the statistics suggest because there is a powerful counteracting force of inmigration of persons beyond their productive years who settle in the Southern States on retirement. While Florida is the most conspicuous illustration of this factor, practically all the Southern States attract nonnative retirees to some degree. As of 1954, only two Southern States, Arkansas and Florida, had a higher percentage of population 65 and over than the rest of the United States. A recent study of the effects of age composition upon per capita income estimated that differences in the age composition of the population accounted for from one-eighth to a quarter of the variations in State per capita income.[2]

[2] Frank A. Hanna, Age, Labor Force, and State Per Capita Income, 1930-50, The Review of Economics and Statistics (February 1955), p. 69.

TABLE 10.—*Distribution of civilian population by age groups, United States and the South, July 1, 1954*

[Thousands]

Area	Total	Under 18		18 to 64		65 and over	
		Number	Percent of total	Number	Percent of total	Number	Percent of total
United States	159,078	53,734	33.8	91,616	57.6	13,729	8.6
South	32,413	12,417	38.3	17,603	54.3	2,394	7.4
Rest of United States	126,665	41,317	32.6	74,013	58.4	11,335	8.9
Alabama	2,980	1,175	39.4	1,591	53.4	214	7.2
Arkansas	1,779	676	38.0	940	52.8	163	9.2
Florida	3,213	1,077	33.5	1,839	57.3	297	9.2
Georgia	3,507	1,373	39.1	1,891	53.8	243	6.9
Kentucky	2,911	1,098	37.7	1,562	53.7	251	8.6
Louisiana	2,858	1,112	38.9	1,553	54.3	193	6.7
Mississippi	2,102	869	41.4	1,074	51.0	159	7.6
North Carolina	4,138	1,626	39.3	2,259	54.6	253	6.1
South Carolina	2,204	931	42.3	1,143	51.9	130	5.9
Tennessee	3,344	1,217	36.4	1,874	56.1	254	7.6
Virginia	3,377	1,263	37.4	1,877	55.5	237	7.0

Source: U. S. Bureau of the Census, Current Population Reports, Series P–25, No. 130.

SOURCES OF INCOME

As already indicated, a major factor accounting for variations in income between the South and the rest of the country is the lesser importance of manufacturing as a source of income in the South. Wages and salaries in manufacturing in 1955 accounted for 18.1 percent of the total income in the South, but for almost a quarter of the income in the rest of the Nation. On the other hand, wages and salaries paid out directly by the Federal Government to civilian and military personnel accounted for 1 out of every 10 dollars received in income by persons in the South, which was significantly higher than the comparable percentage for the other regions of the country. The difference can be explained primarily by the concentration of military establishments in the South, the smaller volume of manufacturing, and the higher average wages paid by the Federal Government regardless of locale. Military payrolls accounted for 5.3 percent of personal income in the South and only 2 percent of personal income in the rest of the Nation.

Agriculture was a relatively more significant source of income in the South than in the rest of the country. In 1955, income of farm proprietors and agricultural laborers accounted for 9.2 percent of the total income in the South compared with 4.0 percent in the rest of the Nation. Income from property was relatively less important in the South than in the rest of the country. The other sources of income, as listed in table 11, do not differ significantly in relative importance in the South and in the rest of the United States. It should, however, be noted that national income statistics do not include remittances that southern outmigrants send back home, which would tend to underestimate income in the South. But this may be counteracted by payments made to military personnel who are concentrated in the South and may be sent in part to States outside the South.

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TABLE 11.—*Distribution of sources of personal income, United States and the South, 1940 and 1955*

[Percent of total]

Source of income	1940			1955		
	United States	South	Rest of United States	United States	South	Rest of United States
Total personal income	100.0	100.0	100.0	100.0	100.0	100.0
Wages and salaries	63.2	60.2	63.6	68.5	66.0	68.9
Farms	1.3	1.9	1.2	.9	1.4	.8
Mining	1.6	1.9	1.6	1.2	1.4	1.2
Contract construction	2.2	2.5	2.1	3.9	3.8	4.0
Manufacturing	19.8	15.0	20.5	23.8	18.1	24.7
Wholesale and retail trade	11.5	9.8	11.7	12.1	11.4	12.2
Finance, insurance, and real estate	3.1	2.1	3.3	2.9	2.5	3.0
Transportation	4.6	5.1	4.6	4.1	4.0	4.1
Communications and public utilities	2.0	1.5	2.0	2.1	1.8	2.1
Services	6.4	6.4	6.4	6.4	6.3	6.4
Federal Government, civilian	4.4	6.6	4.1	3.2	4.5	3.0
Federal Government, military	0.6	1.7	.4	2.5	5.3	2.0
State and local government	5.5	5.4	5.6	5.3	5.4	5.2
Other	.1	.3	.1	.1	.2	.1
Other labor income	.9	.7	.9	2.3	1.9	2.4
Proprietors' income	16.6	24.3	15.5	12.9	17.4	12.1
Farm	5.8	12.8	4.8	3.8	7.8	3.2
Nonfarm	10.8	11.5	10.6	9.0	9.6	8.9
Property income	16.2	12.1	16.8	12.3	9.9	12.7
Transfer payments	4.0	3.5	4.0	5.8	6.6	5.6
Less: Personal contributions for social insurance	.8	.7	.8	1.7	1.8	1.7

Source: Special tabulation by Office of Business Economics, Department of Commerce, August 1956.

Total personal income measured in current dollars rose more rapidly in the South than in the rest of the United States during the 15 years between 1940 and 1955. The comparable increases were 355 and 277 percent. The greater percentage increase in southern personal income is reflected in virtually all major sources of income; the growth of manufacturing, wholesale and retail trade, finance, insurance, and real estate, services, and transfer payments led the other sources of income. The increase in transfer payments does not, of course, reflect the economic growth of the South, but is largely a product of Federal social security and veteran programs.

TABLE 12.—*Sources of personal income, United States and South, 1955, and changes between 1940 and 1955*

Source of income	1955			Increase 1955 over 1940		
	United States	South	Rest of United States	United States	South	Rest of United States
	Millions	*Millions*	*Millions*	*Percent*	*Percent*	*Percent*
Total personal income	$303,391	$43,758	$259,633	286.4	355.3	276.8
Wages and salaries	207,693	28,866	178,827	318.3	399.1	307.7
Farms	2,716	606	2,110	163.4	225.8	149.7
Mining	3,656	601	3,055	184.1	230.2	176.5
Contract construction	11,962	1,647	10,315	599.9	583.4	602.7
Manufacturing	72,132	7,912	64,220	362.9	449.8	354.0
Wholesale and retail	36,759	4,974	31,785	307.5	426.9	293.6
Finance, insurance, and real estate	8,811	1,115	7,696	259.2	446.6	242.2
Transportation	12,386	1,762	10,624	240.4	258.1	237.6
Communications and public utility	6,246	781	5,465	304.8	453.9	289.9
Services	19,407	2,748	16,659	286.1	349.8	277.3
Federal Government, civilian	9,744	1,988	7,756	181.4	215.1	173.9
Federal Government, military	7,495	2,300	5,195	1,599.5	1,293.9	1,782.2
State and local government	15,972	2,348	13,488	266.8	355.9	251.3
Other	425	82	343	300.9	192.9	339.7
Other labor income	6,996	814	6,182	918.3	1,097.1	898.7
Proprietors' income	39,019	7,614	31,405	199.9	225.8	194.2
Farm	11,680	3,403	8,277	155.7	175.8	148.3
Nonfarm	27,339	4,211	23,128	223.8	281.8	215.1
Property income	37,355	4,354	33,001	193.9	275.7	185.7
Transfer payments	17,516	2,889	14,627	462.5	757.3	426.7
Less personal contributions for social insurance	5,188	778	4,410	690.9	980.6	655.1

Source: Special tabulation by Office of Business Economics, Department of Commerce, August 1956.

AGRICULTURE

The percentage of the labor force employed in agriculture is frequently taken as a measure of the level of economic development and level of income of a region. Average money income of persons engaged in agriculture in the United States, as well as in other industrialized countries, is generally lower than that of persons employed in manufacturing and in nearly all other economic activities. This is particularly true of hired labor and of small, unproductive or marginal farmers.

For 1955 the average annual earnings per full-time employee in agriculture, forestry and fisheries (excluding proprietors) were $1,599. The comparable figure for manufacturing was $4,351 or 172 percent higher. It is, therefore, to be expected that the relatively high ratio of agricultural employment in the South would have a depressing effect upon average per capita income. In 1950, almost 1 out of every 4 persons in the civilian labor force in the South was engaged in agricultural employment. This ratio was more than twice as high as it was in the rest of the Nation.

The average Southern farm is smaller in acreage than the Corn Belt or winter wheat farm, and smaller than farms in some other farming regions. Its total capital investment also is less than in regions where farms are larger. More of the farmers supplement their farm income with work off the farms and a greater proportion of the income from the farm goes to remunerate the farmer for his own work. The southern farmer uses more work stock to meet his motive-power re-

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quirements than is commonly done in other regions. He less often owns a tractor, a truck, or an auto. He less often hires labor and machinery. But he uses more fertilizer per acre, as is proper because he emphasizes row crops such as cotton and tobacco, whereas other farms (heavily weighted by wheat and cattle ranches) as a whole can obtain good yields without such intensive fertilization.

The financial problems faced by farmers and by lending institutions consequently are changing. When the farmer hires labor and hires machine work, he has to find more cash than when he depends on his own labor and his work stock, and on "store credit" for current purchases. The problem of financing tractors, whether used by the farmer only on his farm or hiring out, becomes an increasing problem for farmers, machinery and implement dealers, and the banks and other lenders. Likewise, the problems of financing livestock grows when farmers shift to raising commercial dairy and beef herds.

Farm cost and size

The value of land and buildings per farm in the South was, according to the 1954 census of agriculture, $8,538 compared with $26,194 for the other 37 States. More than a third of the farms in the South were under 30 acres while in the rest of the country the percentage was only 18.2—just half the proportion. Similarly 62 percent of southern farms were under 70 acres while in the rest of the country the percentage was 31—again just half the proportion. The average farm was 107 acres in the South and 323 acres in the rest of the Nation.

The trend in the United States has been toward larger farms. The South has not fully shared in this movement. The size of the average farm in the South in 1954 was 107.3 acres, 31 percent larger than in 1940; the comparable relative increase in all the other regions was 41 percent. Similarly, the value of the land and building per farm increased relatively less during the 14-year period in the South than in the other regions. The movement toward consolidation of farms, however, seems to have accelerated in the South since 1950. Between 1940 and 1950 the number of farms in the South declined from 2,259,000 to 2,054,000, a drop of 9.1 percent compared with a decline of 13.3 percent for the rest of the country. From 1950 to 1954 the number of farms in the South declined by one-eighth, while the number of farms in the rest of the Nation declined by one-tenth. This movement involves losses as well as gains but, after adjustments, will probably result in higher average per capita incomes. More farms "disappeared" in the South in the 4-year period between 1950 and 1954 than in the whole previous decade.

TABLE 13.—*Farms, acreage and value, United States and the South, 1940, 1950, and 1954*

Item	United States			South			Rest of United States		
	1940	1950	1954	1940	1950	1954	1940	1950	1954
Number of farms (in thousands)	6,097	5,382	4,782	2,259	2,054	1,797	3,838	3,329	2,985
Average size of farm (acres)	174.0	215.3	242.2	81.3	96.8	107.3	226.6	288.4	323.4
Value of land and buildings (per farm)	$5,518	$13,930	$19,706	$2,519	$6,290	$8,538	$7,282	$18,585	$26,194

Source: U. S. Bureau of the Census; 1954 Census of Agriculture. Preliminary data.

As compared with the rest of the United States, the South has from 2 to 3 times as many farms in the various categories of size from 10 to 70 acres, and proportionately the same number of farms of 70 to 100 acres. Above 100 acres, the rest of the country has from 2 to 3 times the proportionate number of farms found in the South. While the optimum size of farm depends on the crops produced and the uses to which the land is put, size and the concomitants of size—investment, machinery, fertilizer, hired labor—are an index of productivity.

From 1940 to 1954 the percentage of southern farms between 10 and 100 acres declined. However, the ratio of farms with an average acreage of 260 and over has increased by 43 percent and the percentage of farms with 500 acres or more doubled between 1940 and 1954. There was also an appreciable increase during this period of farms with less than 10 acres, but this was apparently due to the rise in residential farms and is not indicative of a farm production trend.

TABLE 14.—*Percentage distribution of farms by size, United States and the South, 1940 and 1954*

Size of farm	United States		South		Rest of United States	
	1940	1954	1940	1954	1940	1954
All farms: Number (thousands)	6,097	4,782	2,259	1,797	3,838	2,985
Percent:						
Under 10 acres	8.3	10.1	8.7	12.5	8.1	8.7
10 to 29 acres	16.6	14.9	26.7	24.0	10.7	9.5
30 to 49 acres	12.6	10.4	18.4	15.6	9.2	7.3
50 to 69 acres	8.4	7.2	11.3	10.2	6.7	5.5
70 to 99 acres	12.8	10.8	11.7	11.1	13.5	10.7
100 to 179 acres	21.5	19.9	14.6	14.4	25.6	23.2
180 to 259 acres	8.0	9.7	4.4	5.2	10.1	12.4
260 to 499 acres	7.5	10.1	3.0	4.4	10.2	13.5
500 to 999 acres	2.7	4.0	.9	1.7	3.7	5.4
1,000 acres and over	1.6	2.7	.4	.9	2.4	3.8

Source: U. S. Bureau of the Census; 1954 Census of Agriculture. Preliminary data.

Farm facilities, income, and tenure

Almost two-fifths of the 1.8 million southern farms in 1954 were classified by the census as part-time or residential farms as contrasted with commercial farms. Farms with a value of sales of $250 to $1,199 were classified as commercial only if the farm operator worked away from the farm less than 100 days or if the income of the farm operator and members of his family received from nonfarm sources was less than the total value of all farm products sold. Farms with a value of sales of less than $250 were classified as "other farms."

In the case of one-third of the farm operators, the income of the family from outside the farms exceeded the value of agricultural products and more than a fourth of the farm operators worked during 1954 for 100 days or more off their farms.

The lower value in land and buildings of southern farms is accompanied by less capital equipment and poorer living facilities. In 1954 only 1 out of 3 farms in the South was equipped with tractors and motortrucks; outside the South 3 out of every 4 farms had tractors and more than half of the farms had motortrucks. Every second farm in the South had an automobile in 1954; in all the other regions of the country there were automobiles on 8 out of 10 farms. Animal power was still being used in 1954 on a third of the farms in the

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South, but on only one-twelfth of the farms in the rest of the country. A little more than 2 out of 5 farms in the South had piped running water while nearly 7 out of 10 had this facility on farms in the rest of the country. While the most notable progress on southern farms was made in the use of electricity, a tenth of the southern farms still lacked electricity when the agricultural census was taken in 1954, compared with one-twentieth of the farms in the rest of the Nation. Telephones were found on one-fifth of the farms in the South, and on two-thirds of the farms elsewhere in the United States.

The progress achieved by farms in the South in the use of equipment and facilities has been much more striking than in the rest of the country. The mechanical equipment and facilities listed below were relatively rare on the farms in the South in 1940, and the progress achieved between 1940 and 1954 is therefore much more notable than in the rest of the country.

TABLE 15.—*Percent of farms in United States and the South with specified facilities and equipment 1940, 1950, and 1954*

Item	1940			1950			1954		
	United States	South	Rest of United States	United States	South	Rest of United States	United States	South	Rest of United States
Telephone	25.0	7.1	35.6	38.2	12.5	54.1	48.8	21.8	65.0
Electricity	33.3	17.3	42.8	78.3	69.1	83.9	93.0	90.0	94.9
Piped running water	(1)	(1)	(1)	(1)	(1)	(1)	58.7	41.2	69.3
Motortrucks	15.5	7.9	24.3	34.2	28.8	40.6	46.2	34.9	53.1
Tractors	23.1	4.2	34.3	46.9	20.6	63.2	60.1	34.6	75.5
Automobiles	58.1	30.7	74.2	63.0	41.2	76.5	70.9	51.9	82.3

[1] Not available.

Source: U. S. Bureau of the Census; 1954 Census of Agriculture. Preliminary data.

The small size of the farm unit in the South is also reflected in the average amount of money spent for hiring machinery and labor and for buying commercial fertilizer. Although the average farmer in the South spent in 1954 almost as much money on commercial fertilizer as did the average farmer in the rest of the Nation, he spent only about half as much money on hired labor and machines. This is, of course, a reflection of the more numerous small farms, the smaller average size of farms and the difference in products.

In the South the number of farms hiring labor increased by 28 percent between 1940 and 1954, while in the other 37 States the number of such farms declined by 13.5 percent. Apparently, the greater mechanization of farms outside the South has reduced the need for hiring labor. Possibly accelerated outmigration of youth from farm families also increased the need for hired labor on southern farms. The aggregate amount spent on farm labor in the South has therefore increased percentagewise more than in the rest of the Nation during the 14-year period, but the relative expenditure per farm was greater outside the South. Expenditures for hired machinery reveal similar changes for the period between 1950 and 1954. The average expenditures per farm for commercial fertilizer has increased 340 percent between 1940 and 1954 for the Nation. But while the average farmer in the South increased his expenditures by 270 percent, the comparable increase in the rest of the Nation was 400 percent.

TABLE 16.—*Selected farm expenditures, United States and the South, 1940, 1950, and 1954*

Item	1940			1950			1954		
	United States	South	Rest of United States	United States	South	Rest of United States	United States	South	Rest of United States
Total number of farms (thousands)	6,097	2,259	3,838	5,382	2,054	3,329	4,782	1,793	2,985
Machine hire:									
Farms (thousands)	(1)	(1)	(1)	2,758	828	1,930	2,544	837	1,707
Percent of farms	(1)	(1)	(1)	51	40	58	53	47	57
Dollars expended (millions)	(1)	(1)	(1)	611	107	505	(1)	(1)	(1)
Dollars per farm	(1)	(1)	(1)	222	129	261	251	152	299
Labor hire:									
Farms (thousands)	2,260	639	1,622	2,668	850	1,818	2,220	818	1,402
Percent of farms	37	28	42	50	41	55	46	46	47
Dollars expended (millions)	782	148	634	2,418	465	1,953	2,275	500	1,775
Dollars per farm	346	231	391	906	547	1,074	1,025	611	1,266
Commercial fertilizer:									
Farms (thousands)	2,337	1,442	895	(1)	(1)	(1)	2,926	1,407	1,519
Percent of farms	38	64	23	(1)	(1)	(1)	61	78	51
Dollars expended (millions)	196	117	79	(1)	(1)	(1)	1,084	420	664
Dollars per farm	84	81	88	(1)	(1)	(1)	370	298	437

[1] Not available.

Source: U. S. Bureau of the Census; 1954 Census of Agriculture. Preliminary data.

TABLE 17.—*Percent of farm operators with income outside of farm, United States and the South, 1954*

	United States	South	Rest of United States
Farm operators whose family income exceeds value of agricultural products sold	29.6	33.2	27.7
Working off their farm:			
Total	44.8	45.5	44.7
100 days or more	27.8	28.3	27.7

Source: U. S. Bureau of the Census; 1954 Census of Agriculture. Preliminary data.

In 1954 there were 1.1 million commercial farms in the South, or 11.3 percent less than in 1950. The value of the products sold on more than 4 out of every 5 farms was below $5,000, while on almost 3 out of 5 farms the total value of products sold was less than $2,500 during 1954. In contrast, the value of the products sold in 1954 on farms outside the South was below $5,000 in half the cases and below $2,500 in just 1 out of 4 farms. These data clearly indicate the concentration of low-income farms in the South and point to one of the major low-income problems in the region.

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TABLE 18.—*Distribution of commercial farms by economic class, United States and the South, 1950 and 1954*

Class of farm	Number of farms, 1954 (thousands)			Percent of total farms					
	United States	South	Rest of United States	United States		South		Rest of United States	
				1950	1954	1950	1954	1950	1954
Total commercial farms	3,327	1,100	2,227	100	100	100	100	100	100
Class I (value of products sold $25,000 and over)	134	18	116	2.8	4.0	1.3	1.6	3.8	5.2
II ($10,000 to $24,999)	449	47	402	10.4	13.5	2.8	4.3	14.3	18.0
III ($5,000 to $9,999)	707	118	589	19.6	21.2	6.9	10.7	26.0	26.4
IV ($2,500 to $4,999)	811	273	538	23.8	24.4	19.4	24.9	26.0	24.2
V ($1,200 to $2,499)	763	372	391	24.2	22.9	34.0	33.9	19.2	17.5
VI ($250 to $1,199)	462	270	192	19.1	13.9	35.9	24.6	10.8	8.6

Source: U. S. Bureau of the Census; 1954 Census of Agriculture. Preliminary data.

The 1954 Census of Agriculture disclosed that there were in the United States 458 counties in which a third or more of the commercial farms in those counties sold products valued between $250 and $1,200 (class VI). Most of these counties were concentrated in the South.

TABLE 19.—*Distribution of counties with largest percentage of class VI farms United States and the South, 1954*

Area	Total number of counties	Number of counties according to percent of farms in $250 to $1,199 range			
		60 percent or more	50 to 59.9 percent	40 to 49.9 percent	33.3 to 39.9 percent
United States	458	51	94	157	156
South	344	40	71	121	112
Rest of United States	114	11	23	36	44
Alabama	39	8	8	16	7
Arkansas	39	2	10	13	14
Florida	4	0	0	1	3
Georgia	41	2	6	17	16
Kentucky	40	13	8	7	12
Louisiana	16	3	2	7	4
Mississippi	40	1	9	15	15
North Carolina	25	4	7	8	6
South Carolina	25	0	4	9	12
Tennessee	54	3	14	22	15
Virginia	21	4	3	6	8

Source: Special tabulation by the U. S. Bureau of the Census.

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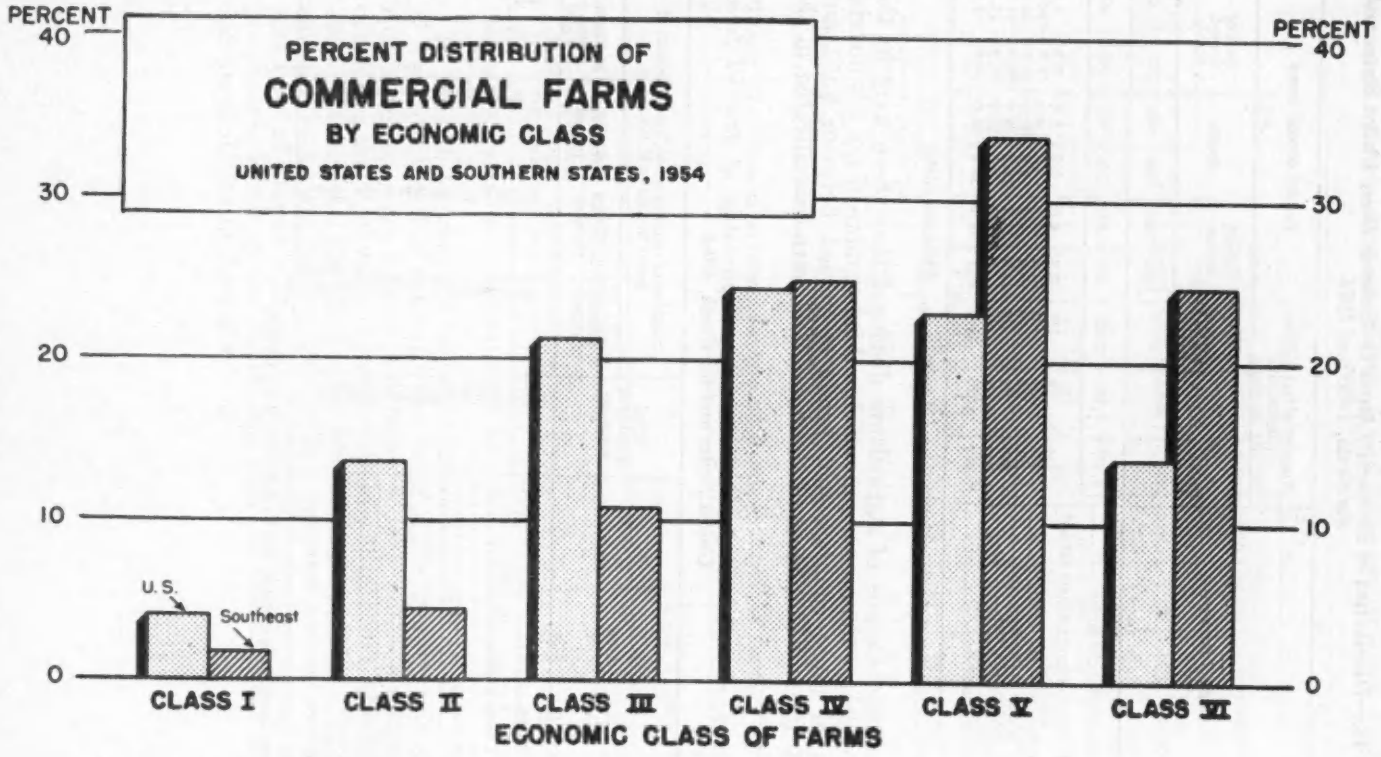
CHART 2



SOURCE: U.S. Department of Commerce, Bureau of the Census

There were also 500 counties where 35 percent or more of the commercial farms sold products valued between $1,200 and $2,500 during 1954 (class V). Almost 3 out of every 4 of such counties are located in the southern part of the country, and almost half of the counties are concentrated in 5 Southern States: Georgia, Kentucky, Mississippi, North Carolina, and Tennessee.

TABLE 20.—*Distribution of counties with largest percentage of class V farms, United States and the South, 1954* [1]

Area	Total number of counties	Number of counties according to percent of farms in $1,200 to $2,499 range		
		50 percent or more	40 to 49.9 percent	35 to 39.9 percent
United States	500	29	213	258
South	364	13	172	179
Rest of United States	136	16	41	79
Alabama	28	0	9	19
Arkansas	19	0	4	15
Florida	9	2	4	3
Georgia	46	3	18	25
Kentucky	49	2	19	28
Louisiana	23	1	16	6
Mississippi	60	1	38	21
North Carolina	32	1	17	14
South Carolina	18	0	7	11
Tennessee	52	2	25	25
Virginia	28	1	15	12

[1] It should be noted that some counties may be included in this as well as the previous table, because the same county may have had more than a third of commercial farms in class VI and 35 percent or more in class V.

Source: Special tabulation by U. S. Bureau of the Census.

Farm ownership by the operators has been on the increase in the South. Fifty-four percent of the farm operators fully owned their farms in 1954 compared with 44 percent in 1940 and the proportion of part owners has doubled. There was also a considerable decline in the proportion of tenant operators, particularly croppers. It is noteworthy that while the proportion of full ownership by operators has continued to increase in the South since 1950, this category has shown a slight decline between the 1950 and 1954 censuses in the rest of the country. But the proportion of tenants has remained higher in the South where in 1954 almost 1 out of every 3 farm operators was a tenant; in the rest of the country the comparable ratio was less than 1 to 5.

TABLE 21.—*Percentage distribution of farms by tenure of operator, United States and the South, 1940 and 1954*

	United States		South		Rest of United States	
	1940	1954	1940	1954	1940	1954
Type of ownership:						
Full owners	50.6	57.2	44.2	54.1	54.3	59.1
Part owners	10.1	17.9	6.2	12.4	12.4	20.6
Managers	.6	.4	.4	.4	.7	.5
All tenants	38.7	24.4	49.2	32.1	32.6	19.8

Source: U. S. Bureau of the Census, 1954 Census of Agriculture. Preliminary data.

MANUFACTURING

A region that is highly developed has a high percentage of its labor force in manufacturing, though as the region matures economically the proportion employed in manufacturing may decline somewhat and be replaced by an increase in professional and personal services.

It might be misleading, however, to measure the income that manufacturing contributes to an area solely by the percentage of the labor force employed in manufacturing, since the income from manufacturing depends upon the structure, organization, and the composition of the several industries that make up the manufacturing in the region. The best gage of the relative contribution that a given industry makes to the income of a region is the value manufacturing adds per employee as well as the total number of employees in the industry.

The latest available data on distribution of manufacturing industries by States are those for the 1954 census of manufacturing. According to these data the South has more than a proportionate share of its industry ranking low in terms of value added per employee.

The census of manufacturing divides American industries into 20 major groups. The value added per employee by those industries varied in 1954 for the United States between $12,348 in chemicals to $4,205 in apparel. Half of the manufacturing employees in the South were employed in 1954 in the five lowest industries when ranked according to the value added per employee. The same industries accounted for less than a fifth of the employees elsewhere in the United States. These industries were apparel, textiles, leather, lumber, and furniture. The top five industries according to value added (chemicals, petroleum, tobacco, primary metals, and paper) accounted for a fifth of the total employees both in the South and all other regions in the United States.

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TABLE 22.—*Distribution of manufacturing employment by industry groups: United States and the South, 1954, and percent change from 1947*

Industry	United States rank by value added per employee	Number of employees (thousands)			Percent of total			Percent increase from 1947 to 1954		
		United States	South	Rest of United States	United States	South	Rest of United States	United States	South	Rest of United States
Total, all industries		16,135	2,281	13,854	100.0	100.0	100.0	12.8	17.1	12.1
Food and kindred products	6	1,650	254	1,396	10.2	11.1	10.1	14.4	27.6	12.3
Tobacco manufactures	3	95	66	29	.6	2.9	.2	−15.2	−9.6	
Textile mill products	19	1,022	573	449	6.3	25.1	3.2	−17.1	.4	−22.1
Apparel and related products	20	1,197	204	993	7.4	8.9	7.2	10.6	58.1	4.3
Lumber and products (except furniture)	17	649	239	410	4.0	10.5	3.0	1.0	218.7	13.3
Furniture and fixtures	16	339	88	251	2.1	3.9	1.8	7.2		4.1
Paper and allied products	4	529	99	430	3.3	4.3	3.1	16.7	39.4	12.6
Printing and publishing industries	11	802	68	734	5.0	3.0	5.3	12.2	28.3	10.7
Chemicals and allied products	1	741	174	567	4.6	7.6	4.1	17.4	38.1	20.6
Petroleum and coal products	2	217	22	195	1.3	1.0	1.4	3.4	10.0	1.6
Rubber products	13	247	15	232	1.5	.7	1.7	−4.3	15.3	−.9
Leather and leather products	18	357	27	330	2.2	1.2	2.4	−7.8	8.0	−7.6
Stone, clay, and glass products	12	494	61	433	3.1	2.7	3.1	6.9	22.0	5.1
Primary metal industries	5	1,119	71	1,048	6.9	3.1	7.6	3.4	−6.6	−3.1
Fabricated metal products	14	1,040	72	968	6.4	3.2	7.0	6.9	1.9	5.2
Machinery (except electrical)	8	1,543	54	1,489	9.6	2.4	10.7	−.6	31.7	−1.5
Electrical machinery	10	951	35	916	5.9	1.5	6.6	19.5	78.6	17.1
Transportation equipment	7	1,709	89	1,620	10.6	3.9	11.7	45.0	50.8	45.3
Instruments and related products	9	270	6	264	1.7	.3	1.9	10.2	16.4	4.6
Miscellaneous manufactures	15	700	36	664	4.3	1.6	4.8	51.5	157.1	48.2
Administrative and auxiliary		464	28	436	2.9	1.2	3.1			

Source: U. S. Bureau of the Census; 1954 Census of Manufactures, MC-G-1 and special tabulation.

Between 1947 (the year of the first postwar census of manufacturing) and 1954 the value added by manufacturing in the South, as well as in the rest of the country, rose by 56 percent. During the same period the total number of employees engaged in manufacturing rose more rapidly in the South (17.1 percent) than in the rest of the country (12.1 percent); consequently the value added per employee which has been 86 percent of the national average in 1947 decreased to 83 percent 7 years later. It appears that the greater concentration of lower ranking productive industries in the South accounted for the fact that its industry trailed behind the rest of the Nation in terms of value added per employee. During this period the five industry groups with the lowest value added per employee actually declined outside the South because of the drop in textile production, while in the South employment in these five industries continued to rise.

In 1954 average value added per employee in the South was $5,956 compared with $7,393 for the rest of the country. For individual industries it ranged from a third below the United States average in lumber products to a third above the national average in rubber products, and was higher in the South than in the rest of the United States in 5 industry groups, but lower in 14 other manufacturing industries and the same in 1 group.

TABLE 23.—*Value added by manufacturing per employee, United States and the South, 1954, and South as percent of United States, 1947 and 1954*

Industry	1954			South as percent of United States		Percent increase from 1947 to 1954	
	United States	South	Rest of United States	1947	1954	United States	South
Total	$7,189	$5,956	$7,393	85.8	82.8	38.1	33.4
Food and kindred products	8,153	7,008	8,362	89.7	86.0	30.3	24.9
Tobacco manufactures	10,400	12,439	5,759	114.9	119.6	81.3	88.8
Textile mill products	4,571	3,976	5,332	95.0	87.0	5.6	−3.4
Apparel and related products	4,205	3,186	4,414	69.8	75.8	2.4	11.1
Lumber and products (except furniture)	4,897	3,259	5,851	71.4	66.6	24.7	16.2
Furniture and fixtures	5,758	4,523	6,191	83.9	78.6	34.7	26.1
Paper and allied products	8,586	10,071	8,244	111.1	117.3	32.8	41.9
Printing and publishing industries	7,723	6,471	7,839	84.7	83.8	29.4	28.0
Chemicals and allied products	12,348	10,891	12,795	78.0	88.2	45.5	64.5
Petroleum and coal products	11,839	14,045	11,590	111.6	118.6	24.5	32.4
Rubber products	7,704	10,333	7,534	122.4	134.1	53.2	67.9
Leather and leather products	4,585	4,704	4,576	90.0	102.6	14.6	30.7
Stone, clay, and glass products	7,713	6,590	7,871	83.4	85.4	54.5	58.1
Primary metal industries	8,403	8,408	8,405	90.1	100.0	68.7	87.4
Fabricated metal products	7,467	6,806	7,517	86.0	91.1	47.4	56.2
Machinery (except electrical)	7,980	6,796	8,023	80.1	85.2	57.9	67.8
Electrical machinery	7,780	6,686	7,822	92.6	85.9	60.1	48.6
Transportation equipment	8,036	7,160	8,083	90.4	89.3	61.8	59.9
Instruments and related products	7,793	5,667	7,841	76.5	72.7	67.4	59.0
Miscellaneous manufactures	5,999	5,417	6,030	68.2	90.3	33.3	76.4

Source: U. S. Bureau of the Census, 1954 Census of Manufactures, MC–G–1 and special tabulation.

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On a State basis, the value added per manufacturing employee varied in 1954 from a low of 66 percent of the United States average for South Carolina to 17 percent above the national average in Kentucky. Louisiana was the only other Southern State where the productivity per employee was higher than in the rest of the Nation. This was mostly due to the high productivity of the petroleum industry in the State. However, the relative importance of manufacturing in these two States was considerably below the average in the Nation, since only 15 percent of the total labor force in Kentucky and Louisiana were employed in manufacturing compared with a national average of 26 percent.

TABLE 24.—*Value added total and per employee, by manufacturing, United States and the South, 1954, and percent change from 1947*

Area	Value added		Value added per employee, 1954	
	1954 (millions)	Percent change from 1947	Amount	Percent of United States
United States	$116,001	55.9	$7,189	100.0
South	13,585	56.2	5,956	82.8
Rest of United States	102,416	55.8	7,393	102.8
Alabama	1,318	50.3	6,102	84.9
Arkansas	457	72.5	5,785	80.5
Florida	786	124.6	6,390	88.9
Georgia	1,595	57.0	5,264	73.2
Kentucky	1,231	66.1	8,374	116.5
Louisiana	1,182	70.3	8,096	112.6
Mississippi	467	55.7	5,132	71.4
North Carolina	2,197	25.8	5,145	71.6
South Carolina	1,033	30.1	4,739	65.9
Tennessee	1,678	75.2	6,429	89.4
Virginia	1,641	56.0	6,781	94.3

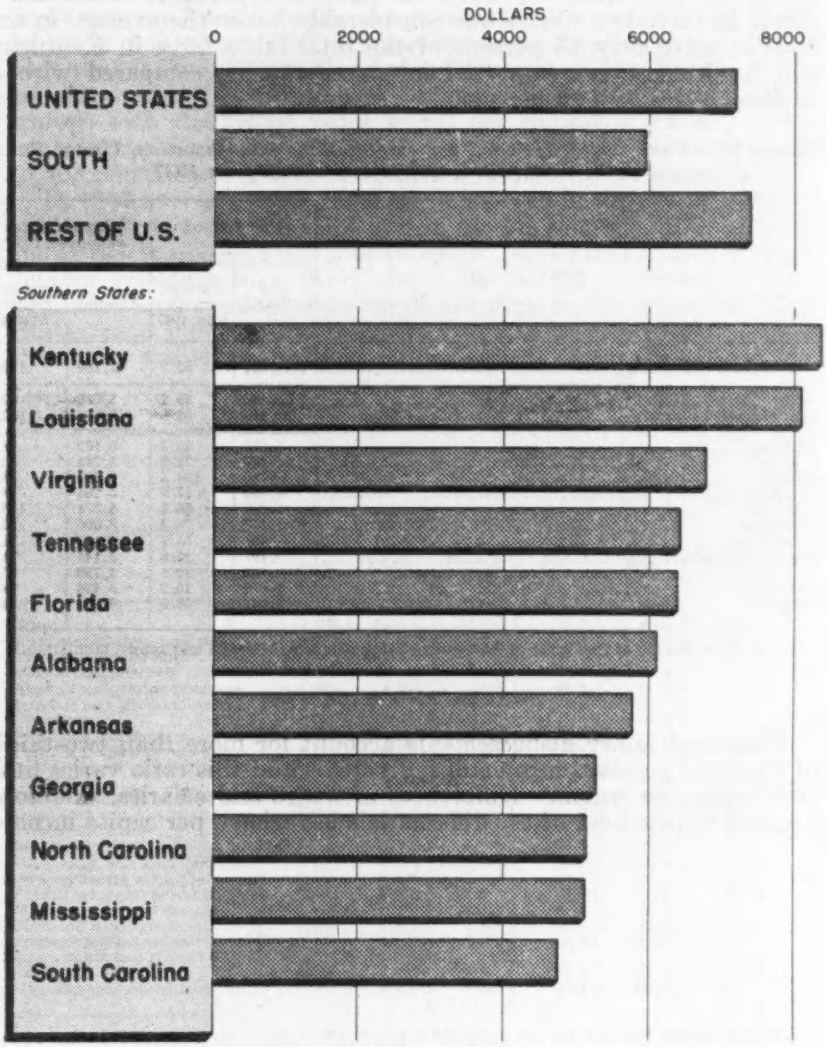
Source: U. S. Bureau of the Census; 1954 Census of Manufactures, MC-G-1 and special tabulation.

WAGES AND SALARIES

Wage and salary disbursements account for more than two-thirds of the total personal income of individuals and this ratio varies little from region to region. Differences in wages and salaries, therefore, account for the bulk of the differentials in regional per capita income.

CHART 3

VALUE ADDED PER EMPLOYEE IN MANUFACTURING
UNITED STATES AND SOUTHERN STATES, 1954



SOURCE: U. S. Department of Commerce, Bureau of the Census

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Nonagricultural wages and salaries

Data on weekly earnings of all employees covered by State unemployment insurance for 1955 offer regional income comparisons for a majority of nonagricultural employees. The average weekly salary or wage of the covered employee in the South was 23 percent below the average for the rest of the United States. These data are, however, subject to some serious qualifications. The difficulty is that they tend to inflate average earnings in the South, since 8 of the 11 States in the region limited unemployment insurance coverage in 1955 to establishments employing 8 persons or more, while less than two-fifths of the other 37 States had similar limitations. Consequently the wages in the smaller establishments, which tended to pay lower wages and salaries, were included to a lesser extent in the data for the South. Although these data tend to overestimate earnings in the South, the weekly earnings in the region were only four-fifths as high as the national average.

TABLE 25.—*Annual average weekly wages of workers covered by State unemployment insurance laws, United States and the South, 1954*

Area	Average wage	Percent of United States	Area	Average wage	Percent of United States
United States	$78.12	100	Kentucky	$68.63	88
South	62.14	80	Louisiana	67.34	86
Rest of United States	80.82	103	Mississippi	53.47	68
Alabama	63.43	81	North Carolina	57.67	74
Arkansas	53.05	68	South Carolina	56.75	73
Florida	65.13	83	Tennessee	64.51	83
Georgia	60.97	78	Virginia	63.78	82

Source: U. S. Department of Labor, Bureau of Employment Security, special tabulation.

The narrowest average wage differentials between the South and the rest of the country existed in finance, insurance and real estate, where the relative scarcity of employees in these categories and the rapid rise in demand for their skills have pushed up their earnings. In mining, the group with the next lowest average differentials, wages are frequently determined on a national basis, and the unions have succeeded in many cases in eliminating differentials between the South and other areas. On the other hand, wages in construction are determined on a local basis, but as is shown in table 30, the regional wage differentials are narrow for journeymen and considerably wider for unskilled labor. The differentials in manufacturing are due in part to lower wages that prevail in the South, but the different composition of the manufacturing industries in the South as compared with the rest of the country undoubtedly accounts for a considerable proportion of the wage differentials.

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TABLE 26.—*Annual average weekly wages of workers covered by State unemployment insurance laws by industry, United States and the South, 1955*

Industry	Annual average weekly wages			South as percent of	
	United States	South	Rest of United States	United States	Rest of United States
All covered employment	$78.12	$62.14	$80.82	80	77
Mining	91.66	81.31	94.04	89	86
Construction	88.79	68.51	92.92	77	74
Manufacturing	84.07	62.53	87.71	74	71
Transportation, communication, and public utilities	84.04	74.31	85.67	88	87
Wholesale and retail	67.66	56.93	69.50	84	82
Finance, insurance, and real estate	77.64	71.51	78.44	92	91
Service	62.02	47.85	64.09	77	75

Source: U. S. Department of Labor; Bureau of Employment Security, special tabulation.

Wages in manufacturing

In 1955 the average hourly earnings of factory workers in the South were $1.41, or 75 percent of the national average. Assuming that the average number of hours worked per week is the same, the production worker outside the South would have to work less than 9 months a year to earn the same annual income for which the worker in the South would have to work a whole year. Moreover, the southern manufacturing employee received relatively fewer fringe benefits, such as paid holidays, vacations, medical care, and pensions.

TABLE 27.—*Average hourly earnings in manufacturing, United States and the South, 1955*

Area	Hourly rate	Percent of United States	Area	Hourly rate	Percent of United States
United States	$1.88	100	Kentucky	$1.75	93
South	1.41	75	Louisiana	1.66	89
Rest of United States	1.96	104	Mississippi	1.20	64
Alabama	1.44	79	North Carolina	1.28	68
Arkansas	1.29	69	South Carolina	1.30	69
Florida	1.40	74	Tennessee	1.49	79
Georgia	1.34	71	Virginia	1.45	77

Source: U. S. Department of Labor; Employment and Earnings, June 1955.

The lower hourly earnings of production workers in manufacturing are undoubtedly due in some large measure to the differences in the number of workers employed in the different industries which make up manufacturing. Earlier discussion has revealed significant regional differences in terms of value added by manufacturing. In 1953, the last year for which such data are available on a comparable national and State basis, the value added per employee in the South was 81.5 percent of the national average, but the average hourly wage rate was 76.1 percent of the United States average. The value added per manufacturing employee was higher in the South than in the Nation in 5 out of 20 industry groups, but the hourly rates were higher only in 2 of these 5 groups. The output per employee in the rubber industry was 34 percent higher in the South, but the hourly wage rate of production workers in this industry in the South exceeded the national average by only 3.5 percent. For petroleum the output per employee in the South was 18.6 percent higher

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than the United States average but the average hourly rate was 8 cents lower or 3.4 percent below the United States average. It is, however, noteworthy that since the end of World War II the South has kept pace with the rest of the country as far as relative changes in hourly rates in manufacturing are concerned. Between 1947 and 1953 the hourly rates in manufacturing in the South rose 32 percent, a fraction above that for the rest of the country.

The productivity per employee as measured in terms of value added was higher, according to the 1954 census, in manufacturing in Kentucky and Louisiana than in the rest of the United States, but hourly wage rates of production workers in those States were appreciably lower in manufacturing than was the average for the United States.

It should, however, be emphasized that the 20 industry groups into which manufacturing is divided are so broad that they may conceal significant differences of subindustries into which the major industry groups are divided. The wage differentials between the South and the rest of the country may be due more to the different compositions in the industry groups rather than regional differentials. For example, the largest wage differentials exist in lumber and apparel products. The fact is that there is a relatively greater predominance in the South of low-cost products made by these industries which require lesser skills, and this accounts for a large proportion of the differentials in wage rates between the South and other regions. On the other hand, in paper, printing, chemicals, petroleum, and textiles, where there is a much greater similarity in the products of the South and the rest of the country, there are only slight wage differentials between the South and other regions.

TABLE 28.—*Hourly wage rates of production workers in manufacturing, United States and the South, 1953*

Industry	South	United States	South as percent of United States
Total	$1.37	$1.80	76.1
Food and kindred products	1.22	1.59	76.7
Tobacco manufactures	1.32	1.29	102.3
Textile mill products	1.28	1.40	91.4
Apparel and related products	1.03	1.33	77.4
Lumber and products (except furniture)	1.03	1.46	70.5
Furniture and fixtures	1.23	1.55	79.3
Paper and allied products	1.69	1.73	98.2
Printing and publishing industries	2.02	2.18	92.6
Chemicals and allied products	1.77	1.92	92.2
Petroleum and coal products	2.26	2.34	96.6
Rubber products	2.07	2.00	103.5
Leather and leather products	1.25	1.42	88.0
Stone, clay, and glass products	1.37	1.76	77.8
Primary metal industries	1.89	2.16	87.5
Fabricated metal products	1.63	1.89	86.2
Machinery (except electrical)	1.71	2.07	82.6
Electrical machinery	1.48	1.81	81.7
Transportation equipment	1.94	2.13	91.0
Instruments and related products	1.48	1.90	77.8
Miscellaneous manufactures	1.48	1.73	85.5

NOTE.—These data are based on a sample study and do not necessarily agree with the Bureau of Labor Statistics data on earnings in manufacturing. They do illustrate, however, the wage differentials that existed in 1953 between the South and the rest of the United States.

Source: U. S. Bureau of the Census; Annual Survey of Manufactures: 1953, General Statistics by Industry Groups, for United States data. 11 State figures: Special tabulation by the Bureau of the Census.

Minimum wages

The $1 minimum wage which became effective March 1, 1956, should tend to narrow the wage differentials between the South and the rest of the country. Before Congress enacted the 1955 amendments to the Fair Labor Standards Act, the United States Department of Labor prepared a study of wage distribution in manufacturing. It found that as of April 1954, 28 percent of all the production workers in Southern manufacturing (including Delaware, District of Columbia, Texas, and West Virginia in addition to the 11 States to which this study is confined) were getting wages of less than $1 an hour; the comparable percentage for the other 3 regions of the country ranged from 2 to 8.

It remains to be seen what effect the increased minimum wage will have upon employment and the industrial growth of the South. Opinions about the effects of minimum wage rates imposed by the Federal Government in 1938 and 1950 have varied. The United States Department of Labor studied the effects of the 75 cents minimum imposed in 1950. It concluded that the wage increase had no appreciable effect upon employment, which remained stable, and that industry displayed a high degree of adjustment to the increased minimum wage. The increased minimum wage, according to the same study, had also improved the economic position of the employees involved by increasing earnings in the affected industries. The Department of Labor studies were, however, not conclusive. They were based upon only a few months' experience and the Korean War started within 5 months after the 75 cents minimum became effective. The war spurred economic activity and was accompanied by a more than 10-percent rise in prices during about an 8-month period.

Occupational differentials

The wage differentials between the South and other regions are not uniform from occupation to occupation. The differentials are relatively narrow in office and maintenance jobs, but much wider in unskilled work. The following data illustrate this point.

TABLE 29.—*Relative pay levels for selected jobs in Atlanta, Memphis, New Orleans, and cities outside the South, 1955–56*

[New York City=100]

Occupation and city	Percent of New York	Rank
Office workers:		
Atlanta	91	10th out of 17 cities.
Memphis	85	16th out of 17 cities.
New Orleans	81	17th out of 17 cities.
Maintenance:		
Atlanta	90	13th out of 17 cities.
Memphis	90	Do.
New Orleans	89	15th out of 17 cities.
Material movement:		
Atlanta	80	14th out of 17 cities.
Memphis	73	16th out of 17 cities.
New Orleans	69	17th out of 17 cities.
Women janitresses:		
Atlanta	58	15th out of 17 cities.
Memphis	57	16th out of 17 cities.
New Orleans	47	17th out of 17 cities.

Source: U. S. Department of Labor, Bureau of Labor Statistics; Community Wage Studies, 1955-56.

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It is also doubtful whether bargaining, where done on a local basis, has had any noticeable effects upon decreasing wage differentials between the South and wage rates in other regions. Union journeymen's rates in the South are normally much closer to the national average than the rates of their helpers. Studies of union wage rates in 1955 found that the hourly rates of journeymen in the building trades in the South were 88 percent of the comparable rates in the country, while the rates of helpers were only two-thirds of the average rate paid for comparable work in the United States. Similar differentials were found in other industries. The large supply of unskilled labor tends to depress the rates for this type of labor and the greater scarcity of skilled labor tends to pull up their wages.

TABLE 30.—*Selected average union wage rates, United States and the Southeast,*[1] *July 1955*

Occupation and industry	United States rate	Southeastern rate	Southeast as percent of United States
Journeyman, building trades	$3.09	$2.71	88
Helpers, building trades	2.16	1.47	68
Cylinder pressmen, book printing	2.89	2.65	92
Press assistants	2.33	1.73	74
Motortruck drivers	2.09	1.75	84
Motortruck helpers	1.85	1.23	66

[1] Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, and Tennessee.

Source: U. S. Department of Labor, Bureau of Labor Statistics; Bulletins 1192-1195, 1956.

Agricultural wages

The wide wage differentials for unskilled labor are particularly pronounced in agricultural wages, which in October 1955, in the South were 74 percent of the national average, and 62 percent that of the rest of the country. The lowest farm wages among the Southern States prevailed in South Carolina, which were 59 percent of the national average, and the highest were in Kentucky at 90 percent of the United States average.

TABLE 31.—*Composite hourly farm wage rates, United States and the South, October 1955*

Area	Hourly rate (cents)	Percent of United States	Area	Hourly rate (cents)	Percent of United States
United States	70	100	Kentucky	63	90
South	52	74	Louisiana	57	81
Rest of United States	84	120	Mississippi	49	70
Alabama	51	73	North Carolina	55	79
Arkansas	56	80	South Carolina	41	59
Florida	60	86	Tennessee	49	70
Georgia	48	69	Virginia	60	86

Source: U. S. Department of Agriculture, Agriculture Marketing Service; Farm Labor, January 1956.

EDUCATION AND INCOME

There is a direct relationship between levels of education achieved by persons and their income. The 1950 census data amply support this broad statement, as indicated by table 32. It is significant to note that the relative income differentials between the South and the

rest of the Nation decline as the level of education rises. While the median income of persons without any formal education in the Southeast was 70 percent of the average for the total United States, there was only a 4 percent differential in income of persons who completed a college education. The abundance of unskilled manpower reduced its relative earning power, but the scarcity of trained personnel made it possible for their earnings to approach closely the level of earnings of persons with similar training in other areas of the country

TABLE 32.—*Median income by level of highest formal education attained, United States and the Southeast, 1949*

Years of school completed	United States	Median income Southeastern States [1]	Southeast as percent of United States
No years of school	$1,108	$777	70
Elementary school, 1 to 4 years	1,365	1,023	75
Elementary school, 5 to 7 years	2,035	1,591	78
Elementary school, 8 years	2,533	2,032	80
High school, 1 to 3 years	2,517	2,498	99
High school, 4 years	3,285	3,079	94
College, 1 to 3 years	3,522	3,382	96
College, 4 years or more	4,407	4,251	96

[1] Includes Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, and Tennessee.

Source: U. S. Bureau of the Census; Special Reports, Series P-E, No. 5B, pp. 108-129.

Comparable data on formal educational attainment by regions show that the median education completed by persons 25 years and over in 1950 was 9.3 years for the United States. In the South the median ranged from 7.6 in Louisiana and South Carolina to 9.6 in Florida. The latter was the only Southern State whose population achieved a higher median education than the national population. A more detailed breakdown shows that proportionately fewer persons have completed high school or college in the South than in the rest of the Nation. One out of five persons in the United States, aged 25 or over, completed high school education. In the South, excluding Florida, this level of education was achieved by a little more than 1 out of 10 persons. Six percent of the United States population completed college as compared with a range among the 11 Southern States of 3.1 to 6.3 percent.

TABLE 33.—*Percent of persons 25 years and older, by years of school completed, United States and the South, 1950*

Area	None	Elementary		High school		College		Not reported	Median school year completed
		1 to 4 years	5 to 8 years	1 to 3 years	4 years	1 to 3 years	4 or more years		
United States	2.5	8.3	36.1	16.9	20.2	7.2	6.0	2.8	9.3
South:									
Alabama	4.4	18.2	37.1	16.7	12.4	5.0	3.6	2.5	7.9
Arkansas	3.1	16.7	41.5	15.6	12.9	5.2	3.1	1.9	8.3
Florida	2.6	11.2	31.1	17.4	20.5	8.0	6.3	3.1	9.6
Georgia	4.3	19.9	36.2	17.1	9.9	6.0	4.5	2.2	7.8
Kentucky	2.4	14.4	47.5	12.1	12.8	5.3	3.8	1.8	8.4
Louisiana	9.1	19.6	32.5	14.5	11.4	5.5	4.7	2.8	7.6
Mississippi	4.4	20.8	35.9	15.4	12.3	5.4	3.8	2.0	8.1
North Carolina	3.7	17.4	38.6	18.0	9.5	5.9	5.0	1.9	7.9
South Carolina	5.3	22.1	34.5	17.9	7.8	5.4	5.4	1.7	7.6
Tennessee	2.7	15.6	41.2	14.3	14.4	5.8	4.1	1.9	8.4
Virginia	3.3	14.2	35.6	15.6	14.5	7.4	6.3	3.0	7.7

Source: U. S. Bureau of the Census; 1950 Census of Population: vol. II, Characteristics of the Population, pt. 1, table 115, pp. 1-236; State volumes, table 20.

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NONWHITE POPULATION AND INCOME

There appears to be a strong negative correlation between per capita income in a region and the extent of nonwhite population in the area. The average annual income of the nonwhite population in the United States is considerably lower than that of the white population. This is true both for the Nation as a whole as well as for the South. The high concentration of nonwhite population in the South has tended to depress its per capita income. In 1950 the nonwhite population constituted 26 percent of the southern population while the percentage for the Nation was 10.5.

TABLE 34.—*Percent of nonwhite population in United States and the South, 1950*

United States	10.5	Louisiana	33.0
South	26.1	Mississippi	45.4
Alabama	32.1	North Carolina	26.6
Arkansas	22.4	South Carolina	38.9
Florida	21.8	Tennessee	16.1
Georgia	30.9	Virginia	22.2
Kentucky	6.9		

Source: U. S. Bureau of the Census; 1950 Census of Population: vol. II, Characteristics of the Population, pt. 1, table 59, pp. 1-106.

The median income of white and nonwhite persons in the United States in 1949 was in a ratio of more than 2 to 1. In South Carolina it was more than 3 to 1. For the United States the percent of median income of nonwhite persons was 46.8 percent that of white persons. In 4 Southern States this ratio was higher and in the 7 other States lower than in the United States as a whole.

TABLE 35.—*Median income of persons with incomes, by color, United States and the South, 1949*

Area	White	Nonwhite	Nonwhite as percent of white
United States	$2,053	$961	46.8
Alabama	1,455	616	42.3
Arkansas	1,117	488	43.7
Florida	1,737	847	48.8
Georgia	1,515	610	40.3
Kentucky	1,411	862	61.1
Louisiana	1,767	774	43.8
Mississippi	1,236	439	35.5
North Carolina	1,567	712	45.4
South Carolina	1,684	525	31.9
Tennessee	1,374	799	58.2
Virginia	1,880	919	48.9

Source: U. S. Bureau of the Census; 1950 Census of Population: vol. II, Characteristics of the Population, pt. 1, table 175, pp. 1-436.

The low per capita income of the Negro population in the South is due to complex factors. In general, it can be said that the Negro labor force is concentrated in low-paying industries where underemployment prevails. In addition, the level of education attained by Negro labor is less than that of the white labor force. Income data for 1949 classified by educational attainment showed increasing income differentials between whites and nonwhites as the level of education increased. According to information derived from unpublished census data, the average income of whites exceeded that of

nonwhites in direct proportion to the rise in their level of education, despite the fact that the median income of the total population, whites and nonwhites, showed smaller differences as the level of education increased. In the South income of white persons exceeded that of nonwhites by 48 percent for grammar school graduates, 73 percent for high school graduates, and 85 percent for college graduates. The differentials were considerably narrower in the other regions of the country.

TABLE 36.—*Median income in 1949 of men 35 to 44 years old by years of school completed and color, by regions*

Years of school completed	South			North and West		
	White	Nonwhite	Ratio of white to nonwhite	White	Nonwhite	Ratio of white to nonwhite
No schooling	$1,120	$962	1.16	$2,221	$1,734	1.28
Elementary:						
1 to 4 years	1,475	1,105	1.33	2,475	2,140	1.16
5 to 7 years	2,117	1,371	1.54	2,711	2,214	1.22
8 years	2,378	1,607	1.48	2,971	2,285	1.30
High school:						
1 to 3 years	2,906	1,725	1.68	3,342	2,425	1.38
4 years	3,463	1,998	1.73	3,583	2,579	1.39
College:						
1 to 3 years	3,963	2,048	1.94	4,048	2,778	1.46
4 years or more	5,227	2,830	1.85	5,213	3,275	1.59

Source: Herman P. Miller, Income of the American People, New York, John Wiley, 1955, p. 46. Data derived from 1950 United States Census of Population.

URBANIZATION

The degree of urbanization is another significant factor affecting the per capita income level in a community or area. Several studies by the National Bureau of Economic Research [3] and income data derived from census of population indicate significant positive correlations between income levels and size of communities. A major factor accounting for this is that better paid occupations concentrated in larger cities.

According to the 1950 census of population, the median United States income of urban persons who received income in 1949 was more than double the comparable rural farm income and a third higher than rural nonfarm income.

TABLE 37.—*United States median income by place of residence and sex, 1949*

	Male	Female
Total	$2,434	$1,029
Urban	2,783	1,227
Rural nonfarm	2,072	716
Rural farm	1,339	456

Source: U. S. Bureau of the Census; 1950 Census of Population.

[3] Herbert E. Klasman, A Statistical Study of Income Differences Among Communities, Studies in Income and Wealth, vol. 6, New York, 1943, and D. Gale Johnson, Some Effects of Region, Community, Size, Color, and Occupation on Family and Individual Income Studies in Income and Wealth, vol. 15, 1952.

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In 1950 urban population constituted 43 percent of the total southern population, while in the other regions 70 percent lived in urban areas. Florida was the only Southern State whose relative urban population exceeded the average of the Nation. The percentage of urban population in the 10 other States was significantly below the national average and ranged from 28 percent of the population in Mississippi to nearly 55 percent in Louisiana.

TABLE 38.—*Urban population as percent of total population, United States and the South, 1950*

United States	64.0	Kentucky	36.8
South	43.0	Louisiana	54.8
Rest of United States	69.6	Mississippi	27.9
Alabama	43.8	North Carolina	33.7
Arkansas	33.0	South Carolina	36.7
Florida	65.5	Tennessee	44.1
Georgia	45.3	Virginia	47.0

Source: U. S. Bureau of the Census; 1950 Census of Population: vol. II, Characteristics of the Population, pt. 1, table 15, pp. 1, 17, 23.

In the South as well as in the rest of the country median income varies directly with the size of the population in urban areas. In 1950, one-third of the population outside the South lived in urban centers of 100,000 and over; the comparable ratio in the South was less than a seventh.

TABLE 39.—*Median income in 1949 by size of city*

Urbanized area:	*Income*	Urbanized area—Continued	*Income*
250,000 to 1,000,000	$2,779	10,000 to 25,000	$2,484
Less than 250,000	2,692	2,500 to 10,000	2,354
25,000 or more	2,554		

Source: U. S. Bureau of the Census; 1950 Census of Population.

TABLE 40.—*Distribution of population by size of community, United States and the South, 1949*

	United States	South	Rest of United States
Total (thousands)	150,697	31,783	118,914
Rural	54,230	18,117	36,113
Percent rural	36.0	57.0	30.4
Urban	96,468	13,667	82,801
Percent urban	64.0	43.0	69.6
Urban centers over 100,000	29.4	12.5	33.7
50,000 to 100,000	5.9	4.6	6.3
25,000 to 49,999	5.8	5.3	6.0
10,000 to 24,999	7.9	6.0	8.4
Below 10,000	15.0	13.7	15.3

Source: U. S. Bureau of the Census; 1950 Census of Population: vol. II, Characteristics of the Population, pt. 1, tables 14, 16, pp. 1-16, 1-24, 1-25.

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PART II

CREDIT AND BANKING FACILITIES IN THE SOUTH

CAPITAL FINANCING AND SOURCES OF CREDIT

Southern enterprises and their employees, as discussed in part I, have grown in number and income in recent years. Growth, however, has not been at a rate fast enough to bring the income of the South from its historically low position up to the national average. We have seen that wages and salaries supply a smaller part of total income in the South than in the rest of the United States, largely because comparatively more of the population derives its income from agriculture. However, the South's income sources have been growing toward a closer resemblance to those of the rest of the United States. Wages and salaries particularly have been increasing both in amount and in relation to all incomes at a faster rate than in the rest of the United States. Farm and nonfarm proprietors' incomes as well as property income have grown more rapidly in the South than in the rest of the United States. Transfer incomes—pensions and the like—have grown more rapidly in amount and in proportion to all incomes in the South than in the rest of the United States.

These changes in the sources of income have had considerable influence on the financing of productive enterprises and on financial institutions.

The growth of income has brought increased savings. The investment of these savings as equity capital in the formation of productive enterprises both brings progress and further tests the capacity of financial institutions to provide additional funds needed for growth. Equity investment in southern enterprises is reflected in the increasing number of new corporations chartered in Southern States. The percentage increase of incorporations has been higher in the South than in the rest of the United States during the period 1952 to 1955.

TABLE 41.—*New business incorporations—United States and the South, 1952–55*

Area	Number				Percentage change over previous year		
	1955	1954	1953	1952	1955	1954	1953
United States	139,639	117,164	102,545	93,819	19.2	14.3	10.5
South	20,602	16,364	14,410	12,526	25.9	13.6	15.0
Rest of United States	119,037	100,800	88,135	80,293	18.1	14.4	9.8
Alabama	1,039	784	660	586	32.5	17.7	13.7
Arkansas	559	402	434	445	39.1	−7.4	−2.5
Florida	7,407	5,652	4,974	4,113	31.1	13.6	20.9
Georgia	2,021	1,696	1,299	1,179	19.2	30.6	3.4
Kentucky	1,222	841	708	660	45.3	18.8	7.3
Louisiana	1,598	1,169	1,042	850	36.7	12.2	22.6
Mississippi	629	515	435	454	22.1	18.4	−4.2
North Carolina	1,813	1,508	1,406	1,316	20.2	7.3	6.8
South Carolina	881	757	672	611	16.4	12.6	10.0
Tennessee	1,503	1,299	1,181	1,014	15.7	10.0	16.5
Virginia	1,930	1,741	1,593	1,298	10.9	9.3	22.7

Source: Dun's Statistical Review, February 1956.

Another indication of growing local capacity to invest is found in the capital structure of the larger southern corporations. Study of the methods of raising funds which these companies have used showed that they obtained a greater part of their funds from sale of stock than was the practice of large national corporations. The underwriting and marketing of capital stock issues are performed by an increasing number of southern investment dealers. As indicated earlier, one of the largest rates of increase in employment and source of income among the industries of the South as compared with the rest of the country, has been in finance, insurance, and real estate.

While savings are used to purchase stock in new and in established local corporations, they are invested also in the stocks of national corporations.

Investment in the growing number of corporations and the comparatively large volume of financing through stocks have not yet made stock ownership as common as in the United States as a whole. Southern ownership of stocks, in per capita terms, falls below the national level by a greater margin than the differences in income.

Purchases of corporate stocks have moved funds from the South to other regions. But a reverse flow occurs when corporations with home offices elsewhere open branches in the South. The savings accumulated by business in other regions, as undistributed profits and from other sources, are invested in the South in substantial volume. The importance of branch plants becomes apparent from even a cursory examination of the listings in Dun and Bradstreet's Reference Book and of announcements of new plants being built in the South. Because local financial resources are limited, reflecting the comparatively low level of incomes in the South, funds from outside of the region are needed to supply the capital for larger enterprises. The development of new industries requiring large capital investment has been possible to an important degree because firms with home offices outside the South could finance them.

A great part of the savings of the workers, businessmen and farmers of the South is held in lending institutions. These include some that are locally domiciled and active only in the area, some that are active in many States, and some that are branches of concerns with head offices elsewhere and active throughout the Nation.

The savings and loan associations have received more new savings than any other institutions in the Southern States. They pay higher interest rates than banks pay on savings. They are primarily local lenders to individuals on long-term mortgages. Insurance companies collect a large amount of savings. Local insurance companies accumulate an increasing share of insurance-company savings, and invest in both real-estate mortgages and industrial bonds. But the insurance companies with the largest resources operating in the South are national in scale and active in many lending markets in the South and elsewhere.

The savings held in lending institutions other than savings and loan associations may be loaned outside of the South. Data are lacking for ascertaining the extent of these outside loans. The commercial banks hold balances outside of the region. In return for these balances the banks gain the participation of outside banks in loans used for local development; thus funds are brought in at strategic points. Residents' savings in insurance companies go in part into

other areas where the home offices of the large companies are concentrated. But insurance companies invest in this region more than the savings accumulated from it. Savings and loan associations may deposit funds with the Home Loan banks, and borrow from them, contributing to the interregional movement of funds.

Of course, the tourist trade and the worldwide sale of southern agricultural production move funds to the South, and southern purchase of manufactured goods moves funds away.

In addition to savings flowing in from other regions, new money may be obtained from credit created by the banking system. The loans made out of savings and the credits created in the South depend not only upon interregional influences arising from private transactions. They depend also on such national considerations as the monetary policies of legislative and administrative bodies affecting the entire Nation's money markets, and affecting the lending powers of banks in the region. A monetary policy that imposes general credit restrictions may retard the economic development of an area embarked upon resource expansion. A policy of credit ease may cause inflationary pressures and relocation of resources. To be effective, use of credit must be limited to the extent needed for resources development which would maximize income without undue increases in prices.

COMMERCIAL BANKS

The most important of the South's financial institutions, from the standpoint of facilitating the operation and the growth of her economic enterprises, are the commercial banks. They are the center of the payments mechanism by means of which trade is carried on, and they are important collectors of savings. Banks are able to make a net addition to the financial resources used in the region with less dependence on decisions made by managements outside the region than is the case with branch plant investment or insurance company investment.

Number and volume of business of banks

There are bank facilities in almost every county in the South and competing facilities exist in most counties. Since the end of World War II the number of banks in the region has increased. This is true of national as well as State banks and Federal Reserve member banks and those that are not affiliated with the Federal Reserve System.

The number of banks in the region has increased by 135 between 1947 and 1954, but this figure does not include the number of new branches which many banks opened during the last decade. Between 1947 and 1955 the number of national banks increased by 45 and the number of national bank branches by nearly 5 times that number. During the same period the number of State Federal Reserve member banks rose by 6 and State nonmember banks by 84.

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TABLE 42.—*Insured commercial banks in the South, June 1947 and June 1955*

Area	June 1947			June 1955		
	Members, Federal Reserve System		State nonmembers, Federal Reserve System	Members, Federal Reserve System		State nonmembers, Federal Reserve System
	National	State		National	State	
United States	5,012	1,913	6,466	4,744	1,863	6,680
South	646	197	1,744	691	203	1,828
Rest of United States	4,366	1,716	4,722	4,053	1,660	4,852
Alabama	66	20	130	71	25	139
Arkansas	50	16	148	54	17	151
Florida	61	10	108	79	11	137
Georgia	50	14	244	51	13	283
Kentucky	93	20	247	89	20	244
Louisiana	33	12	112	40	11	124
Mississippi	24	6	171	26	7	160
North Carolina	45	8	169	46	8	167
South Carolina	23	7	96	27	8	106
Tennessee	70	12	207	76	9	206
Virginia	131	72	112	132	74	111

Source: Federal Deposit Insurance Corporation.

TABLE 43.—*Number of insured commercial banks and branches, United States and the South, December 1947 and December 1954*

Area	December 1947			December 1954		
	Members, Federal Reserve System		State nonmembers, Federal Reserve System	Members, Federal Reserve System		State nonmembers, Federal Reserve System
	National	State		National	State	
United States	6,875	3,096	7,521	7,844	3,598	8,132
South	850	251	2,089	1,103	342	2,317
Rest of United States	6,025	2,845	5,432	6,741	3,256	5,815
Alabama	88	21	132	105	28	138
Arkansas	51	16	167	56	17	175
Florida	63	10	109	85	11	137
Georgia	71	19	250	91	25	289
Kentucky	110	28	260	117	35	268
Louisiana	66	16	140	91	23	159
Mississippi	26	6	225	34	13	233
North Carolina	61	20	310	95	49	380
South Carolina	49	9	102	81	10	126
Tennessee	104	23	236	147	22	249
Virginia	161	83	158	201	109	163

Source: Federal Deposit Insurance Corporation.

Business and personal demand deposits in southern commercial banks increased 68 percent between June 30, 1945 and June 30, 1955. The increase in the rest of the United States was 57 percent. However, a higher rate of growth in the South than in the rest of the United States characterized the immediate postwar years and three of the years from the end of 1948 through 1954.

In the South, as elsewhere, demand deposits held in banks are used by depositors for an increasing volume of payments; more deposits are held, and the rate of turnover is higher. In the Atlanta Federal Reserve District, for example, payments by check almost doubled in the 6-year period from 1949 to the end of 1955 to an annual rate of more than $12 billion. In the Atlanta district, demand deposits turn over about 21 times per year. In the Richmond district, rates around 15 times are common, as they are in the St. Louis district; rates in

excess of 20 times are reached in Richmond, Charlotte, and Memphis. Savings deposits have grown in recent years but remain less than one-quarter of the total deposits for the 11 Southern States. The increasing volume of payment by checks indicates active use of the South's money in current trade and employment.

Despite the growing use of banking facilities, the average personal and business deposits per person in the South in June 1955 were less than half of the comparable amount in the rest of the country. The amounts were $487 and $1,111, respectively. Nearly 20 years ago, when the National Emergency Council made its study of the South, per capita bank deposits in the South were only 32 percent as large as the national average. Now they are 44 percent.

TABLE 44.—*Business and personal deposits of insured commercial banks in the United States and the South, June 30, 1945, and June 30, 1955*

[In millions of dollars]

Area	June 30, 1945	June 30, 1955	Percent increase
United States	$93,111	$147,286	58
South	9,523	15,983	68
Rest of United States	83,588	131,303	57
Alabama	816	1,261	54
Arkansas	495	755	52
Florida	1,112	2,429	118
Georgia	1,054	1,671	58
Kentucky	963	1,430	48
Louisiana	932	1,621	74
Mississippi	464	695	50
North Carolina	944	1,586	68
South Carolina	392	630	61
Tennessee	1,123	1,836	63
Virginia	1,228	2,069	68

Source: Federal Deposit Insurance Corporation; Reports of Assets and Liabilities.

Total outstanding loans of insured commercial banks in the South as of June 30, 1955, amounted to $8.2 billion, or 10.7 percent of the national total. Half of the loans are borrowings by business and more than a third by consumers. The ratio of consumer loans to total loans of insured banks was about the same in the South as in the rest of the country. However, the share that business borrowed was lower in the South. Loans for agriculture were a larger part of bank loans in the South than in the rest of the country, consistent with the greater relative importance of agricultural employment and income. Wide variations among the States will be noted in the pattern of bank lending. The least variation is found in consumer loans, although Virginia banks lend much more to consumers than is the practice elsewhere; the percentage of such loans in Louisiana and Mississippi is well below that of other States. The difference in Virginia reflects the high volume of residential real-estate loans. The difference in Louisiana and Mississippi results from a low volume of real-estate loans and auto loans, but perhaps more from the emphasis on business loans in Louisiana and farm loans in Mississippi. Among the other States, variations in percentages of business and agricultural loans to total loans reflect the relative importance of agriculture and industry in each State.

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TABLE 45.—*Loans of insured commercial banks, United States and the South, by type of recipient, June 30, 1955*

[Millions of dollars]

Area	Total		Business[1]		Agriculture		Consumer[1]		Other	
	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total
United States	76,054.7	100.0	40,539.0	53.3	5,581.8	7.3	27,522.2	36.2	2,411.6	3.2
South	8,153.4	100.0	4,048.3	49.7	945.0	11.6	2,921.6	35.8	238.6	2.9
Rest of United States	67,901.3	100.0	36,490.7	53.7	4,636.8	6.8	24,600.6	36.2	2,173.0	3.2
Alabama	582.7	100.0	259.8	44.6	83.8	14.4	208.5	35.8	30.6	5.3
Arkansas	327.7	100.0	118.7	36.2	101.1	30.9	104.8	32.0	3.1	.9
Florida	956.2	100.0	532.8	55.7	36.8	3.8	361.7	37.8	24.8	2.6
Georgia	1,029.7	100.0	542.8	52.7	108.1	10.5	346.7	33.7	32.1	3.1
Kentucky	723.9	100.0	326.9	45.2	115.2	15.9	260.7	36.0	21.1	2.9
Louisiana	778.5	100.0	466.8	60.0	60.0	7.7	221.4	28.4	30.2	3.9
Mississippi	337.2	100.0	149.6	44.4	86.3	25.6	95.6	28.4	5.8	1.7
North Carolina	954.7	100.0	501.2	52.5	103.5	10.8	334.6	35.0	15.4	1.6
South Carolina	295.2	100.0	140.2	47.5	38.5	13.0	107.0	36.2	9.6	3.3
Tennessee	1,052.0	100.0	550.0	52.3	121.1	11.5	353.0	33.6	27.9	2.7
Virginia	1,115.6	100.0	459.5	41.2	90.6	8.1	527.6	47.3	38.0	3.4

[1] Figures for business and consumer loans have been adjusted. For a fuller explanation of the methods used, see note accompanying table 53 below.

Source: Based on data in Assets, Liabilities, and Capital Accounts, Commercial and Mutual Savings Bank, June 30, 1955, Rept. No. 43 of Federal Deposit Insurance Corporation.

In the 10 years ending June 30, 1955, bank loans increased faster than in the United States as a whole. The rate of increase for the whole region was over one-fourth greater than in the rest of the United States. The increase ranged from 234 percent in Kentucky to 472 percent in Florida. The rate of increase in every Southern State was greater than the average growth in the United States.

TABLE 46.—*Total loans and discounts of insured commercial banks, United States and the South, June 30, 1945, and June 30, 1955*

[In millions of dollars]

Area	June 30, 1945	June 30, 1955	Percentage increase
United States	23,379	76,055	225
South	2,150	8,153	279
Rest of United States	21,229	67,902	220
Alabama	171	583	241
Arkansas	94	328	249
Florida	167	956	472
Georgia	301	1,029	242
Kentucky	217	724	234
Louisiana	176	778	342
Mississippi	99	337	240
North Carolina	242	955	295
South Carolina	76	295	288
Tennessee	303	1,052	247
Virginia	304	1,116	267

Source: Federal Deposit Insurance Corporation; Report of Assets and Liabilities.

Uses of bank funds

One can discern patterns of deposits and withdrawals for individual banks and for banks in different States or regions. These patterns are influenced by types of deposit, the regularity of the flow of income, receipts of the depositors, kinds of loans made, their size, length of term, and season of year.

These regularities, whether they make for a fairly smooth and constant flow of funds or for strong seasonal changes, with outflows and inflows following different patterns, depend on the depositors and borrowers and on the sources of their income. The proportion of manufacturing and financial business deposits is higher in the larger banks, the proportion of personal deposits is higher in the small banks, and the proportion of "trade" deposits is about the same among banks of different size. Over 40 percent of the amount of deposits in the South are held for nonfinancial business, with corporations holding nearly three-quarters of that amount; about a third of the deposits are held for nonfarm personal accounts and about 7 percent for farm personal accounts. Other depositors include principally financial business.

In the Atlanta Federal Reserve District, personal depositors and financial business made the greatest gains in deposits between 1943 and 1953, while trade, manufacturing, and mining depositors increased their deposits less rapidly. These developments reflect growth in personal income and savings, the movement of the population into cities and the growing size and activity of the financial institutions. Average personal deposits are small, for the most part, but depositors with accounts above $25,000 numbered in 1953 about 1.5 percent of the

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total accounts and held over one-quarter of all personal deposits. The distribution of deposits in the Richmond District apparently is similar.

Seasonal fluctuations in deposits are more marked in the South than in the rest of the country. Seasonal changes are greater for State nonmember banks than for national banks, reflecting the agricultural and other local interests which they serve.

TABLE 47.—*Semiannual changes in net demand deposits of insured commercial banks, the South and rest of United States, July 1, 1947–June 30, 1955*

[Percent change from previous semiannual report date]

Date	South	Rest of United States	Date	South	Rest of United States
June 30, 1955	−3.22	−2.94	June 30, 1951	−2.79	−2.97
Dec. 31, 1954	9.76	8.20	Dec. 31, 1950	9.57	8.51
June 30, 1954	−5.29	−3.58	June 30, 1950	−2.17	2.29
Dec. 31, 1953	7.23	8.17	Dec. 31, 1949	4.30	−3.31
June 30, 1953	−5.38	−6.89	June 30, 1949	−6.51	3.17
Dec. 31, 1952	9.15	6.93	Dec. 31, 1948	5.68	3.13
June 30, 1952	−4.23	−3.37	June 30, 1948	−6.46	−4.86
Dec. 31, 1951	14.24	9.00	Dec. 31, 1947	7.92	5.57

Source: Computed from data published by Federal Deposit Insurance Corporation.

TABLE 48.—*Changes in net demand deposits of insured commercial banks, the South and rest of United States, from previous report date, Dec. 31, 1954 and June 30, 1955*

[Percent change from previous 6-month semiannual report date]

Area	December 1954	June 30, 1955	Area	December 1954	June 30, 1955
South	9.76	−3.22	Louisiana	10.25	0.68
Rest of United States	8.20	−2.94	Mississippi	9.25	−5.69
Alabama	10.41	−2.93	North Carolina	19.40	−13.16
Arkansas	10.43	−9.45	South Carolina	8.57	−7.50
Florida	5.75	7.37	Tennessee	6.03	−1.68
Georgia	7.17	−2.28	Virginia	9.81	−4.57
Kentucky	12.82	−8.25			

Source: Computed from data published by Federal Deposit Insurance Corporation.

Loan changes during the year also are greater in the South than in the rest of the United States. Peak loan demands frequently occur in the season when deposits are at the lowest level, in local areas and for entire States. The seasonal factor thus limits the lending power of banks.

TABLE 49.—*Semiannual changes in gross loans and discounts of insured commercial banks, United States and the South, July 1, 1947–June 30, 1955*

Date	Percent change from previous semiannual report date					
	United States			South		
	Members, Federal Reserve System		State nonmembers, Federal Reserve System	Members, Federal Reserve System		State nonmembers, Federal Reserve System
	National	State		National	State	
June 30, 1955	−0.7	21.2	5.2	0.3	6.0	8.7
Dec. 31, 1954	5.4	5.2	2.9	14.1	13.1	−3.7
June 30, 1954	−.3	−2.0	3.2	.7	−.9	5.1
Dec. 31, 1953	3.9	3.8	4.3	6.5	6.0	4.1
June 30, 1953	1.2	.9	3.6	2.1	−1.3	6.4
Dec. 31, 1952	8.9	8.9	5.5	10.3	10.3	2.7
June 30, 1952	2.3	1.3	6.7	−.2	1.5	10.4
Dec. 31, 1951	6.2	5.3	3.7	4.0	5.2	.8
June 30, 1951	4.5	5.6	6.2	2.0	−1.4	8.3
Dec. 31, 1950	18.6	18.7	5.7	18.1	18.0	3.4
June 30, 1950	3.2	5.6	7.3	2.5	4.9	8.5
Dec. 31, 1949	6.1	3.8	3.2	9.9	11.6	0
June 30, 1949	−5.1	−2.8	2.8	6.3	−11.7	3.3
Dec. 31, 1948	6.9	6.1	7.6	10.9	12.4	11.8
June 30, 1948	(1)	(1)	(1)	.2	.9	11.9
Dec. 31, 1947	(1)	(1)	(1)	19.2	16.8	8.0

[1] Figures not available.

Source: Computed from data published by Federal Deposit Insurance Corporation.

TABLE 50.—*Semiannual changes in gross loans and discounts of insured commercial banks, United States and the South, July 1, 1954, and June 30, 1955*

Area	Percent change from previous semiannual report date					
	Dec. 31, 1954			June 30, 1955		
	Members, Federal Reserve System		State nonmembers, Federal Reserve System	Members, Federal Reserve System		State nonmembers, Federal Reserve System
	National	State		National	State	
United States	5.4	5.2	2.9	−0.7	21.2	5.2
South	14.1	13.1	−3.7	.3	6.0	8.7
Alabama	4.9	−3.3	−6.2	6.5	9.1	12.1
Arkansas	−.2	−19.1	−1.3	.1	15.2	3.8
Florida	21.0	19.3	2.4	8.3	9.9	12.9
Georgia	7.0	8.2	−3.5	6.2	10.7	12.6
Kentucky	4.0	18.2	.7	6.7	−5.5	2.8
Louisiana	15.2	−4.9	2.4	5.9	4.8	10.7
Mississippi	−1.7	10.5	−3.9	6.0	8.6	1.2
North Carolina	4.4	12.3	−2.2	9.6	5.5	9.3
South Carolina	4.4	−7.6	−7.2	8.4	7.2	13.8
Tennessee	2.6	1.9	−1.8	−1.8	14.0	8.2
Virginia	5.1	30.7	−22.6	9.0	7.7	10.3

Source: Computed from data published by Federal Deposit Insurance Corporation.

Primary and secondary reserves

Reserves against deposits which Federal Reserve member banks are required to hold in district Reserve banks (primary reserves) are subject to change by Federal Reserve authorities. Changes in the ratio of required reserves have brought varied reactions by the member banks. The adaptation to the changed reserves apparently has depended upon the size of the bank. The larger banks and about half of the medium-sized banks made immediate use of funds which be-

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came available when reserve ratios were reduced during 1953 and 1954. But most of the small banks and the balance of the medium-sized banks allowed excess reserves to increase relative to deposits and generally reacted very slowly, or not at all, to the changed reserve requirements. About half of the total banks, including some larger banks, increased correspondent balances when reserve requirements were reduced.

Secondary reserves, i. e., cash and short-term Government securities in excess of primary reserves, are higher in the Southern banks than in the United States as a whole. The secondary reserves of the banks in the South would be expected to be larger in relation to total assets or to deposits than those of banks in the rest of the country. Larger reserves are required by the characteristics of the deposits and loan demands and by the banking structure in the South. The characteristics include the following:

(1) Demand deposits are larger in relation to time deposits than in many areas that have reached a higher level of industrialization.

(2) Demand deposits and loan demands show more seasonal variation in the South than in the United States.

(3) The largest year-to-year changes in deposits and loans are in the South.

(4) Banks in the South are smaller than the national average.

(5) Interbank and United States Government deposits are larger in relation to net demand deposits in the South than in the United States generally.

(6) A greater proportion of the banks are independent State nonmember banks which do not clear checks through the Federal Reserve banks, and which have to borrow from correspondent banks rather than the Federal Reserve bank when they need additional reserves.

Since the desirable level of secondary reserves depends on the experience of each bank, a close calculation of requirements for a great number of banks with diverse experience, located throughout a large geographic area, is hardly feasible. However, calculations on the basis of the characteristics listed above, indicate that secondary reserves are higher in the South than in the country as a whole, but not excessively higher.

The largest of the cash items in secondary reserves is the cash deposited with and due from other banks. These deposits are about the same percentage of assets of banks in the Richmond district as they were in the 1920's when they drew interest (a practice forbidden since 1933) and are hardly a third as great a percentage as in 1941. They show greater seasonal changes than any other cash item. The peak volume held is reached in the low season on loans, in much of the South, when individual and business deposits are moving into the banks. Cash deposited with other banks often is the principal account which banks in the South use to adjust to seasonal changes, for reasons that are discussed later. In the Nation's banks as a whole, short-term Treasury paper is a larger part of liquid assets than in the South's banks.

In some Southern States, cash items change more than short-term Treasury paper, between the year-end peak and the midyear low. In the United States as a whole, however, variations in Treasury

securities are 2 to 3 times as large as changes in cash during the course of the year. The Atlanta Federal Reserve Monthly Review pointed out several years ago that banks which follow the practice of adjusting to seasonal variations by changing their cash assets were missing important opportunities for obtaining revenue through short-term adjustments.[1] Country banks outside the South also differ among themselves with respect to their holdings of cash which is subject to management decision. Many hold comparatively large amounts of cash. This fact need not be considered a matter of tradition only. The practical explanation of it is that the salary cost of keeping close watch on cash and investing all of it above minimum requirements, plus the other costs such as brokerage fees, and interest on occasional borrowed reserves, exceed the gain from investment.

There are alternatives to building up cash accounts. The Atlanta Federal Reserve Bank recommended that smalltown banks purchase short-term Treasury paper, especially bills, when funds are available so that the bills mature in time to provide the cash required to meet the expected deposit runoffs. They also recommended the establishment of seasonal credit outlets, such as industrial loans in agricultural areas and farm loan departments in major city banks. The latter alternative is particularly suitable for an area undergoing rapid industrialization. To some extent the banks follow these alternatives.

Most banks have correspondents in New York and Chicago, and a significant portion of cash balances due from other banks is held in banks outside of the region. Cash due from banks exceeded interbank deposit liabilities balances for banks in the South by $526 million in June 1954 and $462 million in December 1954. Part of this difference can be accounted for by amounts that are due from banks in New York, Chicago, Philadelphia, and other financial centers.

A member of the Federal Reserve Board of Governors stated in 1944 that country banks should find means to "earn money by the use of their funds, rather than sending these funds into the larger centers."[2] It should be noted that the cash balances which banks in the South maintain in other banks are relatively lower than they were in the 1940's.

There appear to exist compelling reasons for the Southern bank practice of holding substantial amounts of funds with correspondent banks. Two major factors account for the fact that banks pass up earnings from short-term Government securities and loans to hold cash balances outside of the State and region:

1. *The necessity to make payments in interregional trade.*—Maintaining deposit balances with other banks for payment of checks is a long-established practice. It began long before the introduction of the Federal Reserve System and continues for member banks even though their reserve balances at the Federal Reserve bank are used for similar purposes. Nonmember banks maintain accounts within the State and outside the State in order to facilitate payment and collection of checks. Cash balances increase in the second half of the year when check collections also increase. The seasonal change in these account balances is pronounced in every Southern State.

[1] Atlanta Federal Reserve Bank Monthly Review, May 1953.
[2] U. S. Congress, House Committee on Banking and Currency; Hearings on Absorption of Exchange Charges, 1944, p. 14.

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The volume of these accounts is not so large in relation to total assets as it was in earlier years. The extent to which the proportion of cash balances is further reduced will depend largely upon the rate of growth of the South's economy.

2. *The services obtained as compensation from the correspondents with which the balances are kept.*—Balances held in city correspondent banks build up the correspondents' deposits so that they are able to make profitable loans and investments. In turn the city correspondent provides investment services and loan participations to the local bank, and many of these are essential to local prosperity. To quote from a few bank spokesmen on the point:[3]

Arkansas

> The larger city correspondent banks are very helpful, especially those in Dallas, Memphis, and St. Louis. There is considerable competition for accounts as a result.

Georgia

> * * * the large banks, even if it is for selfish reasons, try to take care of the excess loans in their customers' territory. Ordinarily, where the large bank is close enough, it actually supervises the loans and sells a participation to a smaller bank * * * the smaller banks, on the whole, have become accustomed to participating with a larger bank and find that it is a good service for them.

Tennessee

> Our correspondents have been ready and active in participating when the loan is justified. Usually the local bank makes and services the loan with the excess being carried by the correspondent and both institutions working closely together. This applies principally to industrial and commercial loans * * *. The city correspondent helps in analyzing the credit and arranging the terms. If it were not for the help of city correspondent banks, the credit would be denied in many local communities. * * *

Mississippi

> Large correspondent banks both inside and outside of our State make available to their smaller correspondents participations in loans at times when the smaller banks do not have a large loan volume due to the season of the year. In times of seasonal great credit demands smaller banks secure participation by their larger correspondent banks in loans too large for the smaller bank to handle. The original lender generally services the loans.

After the banks have met legal reserve requirements, and provided for secondary or liquidity reserves, their funds are available for earning income by meeting the credit needs of the community. Bank credit includes investments in securities (principally of the U. S. Government and of local and State governments) and loans to business, agriculture, and consumers. During much of the 1930's and 1940's, investments in United States securities constituted the largest part

[3] Quoted from letters addressed to the American Bankers Association. Names were withheld by request of the ABA. The views of selected bank officials were compiled by the American Bankers Association in connection with this study.

of bank credit. Loan credit since the end of World War II has regained much of the importance it had before the 1930's.

Ratio of loans to assets

Many banks in every Southern State use their depositors' funds for accumulation of cash and securities, with loans coming in for only a small share. Many banks have as much as three-quarters of their assets in loans.

The amount of the loans and discounts—

> and its relation to the deposit figure are in large degree the measure of the bank's effectiveness in community building, and, in final analysis, the determining factor as to whether the bank shall grow and expand in influence.[4]

The Southern States as a group have lower loans to total asset percentages than the national average. In Georgia, Tennessee, and Virginia, the percentages have been consistently above the national average. They have been lowest in Arkansas and Florida during recent years.

TABLE 51.—*Loans and discounts as percentage of total assets of insured commercial banks, United States and the South, selected dates, 1945–55*

Area	June 30, 1945	Dec. 31, 1949	Dec. 31, 1954	June 30, 1955
	Percent	*Percent*	*Percent*	*Percent*
United States	16.3	27.4	35.1	37.9
Alabama	14.7	28.5	31.4	34.8
Arkansas	13.5	22.4	29.6	32.3
Florida	10.3	20.3	27.4	28.5
Georgia	18.4	35.5	39.2	43.4
Kentucky	14.9	28.6	33.1	36.7
Louisiana	12.2	22.2	27.9	30.1
Mississippi	14.5	24.1	30.9	33.9
North Carolina	15.2	29.4	34.3	40.1
South Carolina	14.2	24.3	29.3	34.6
Tennessee	16.6	32.5	36.9	39.2
Virginia	17.1	33.5	36.2	40.6

Source: Federal Deposit Insurance Corporation; Reports of Assets and Liabilities.

A substantial part of the differences between loans to asset percentages in the South and the rest of the country may be accounted for by the large metropolitan banks. There are much smaller differences among country banks in different regions, particularly in places of less than 15,000 population.

The increasing number of branch firms that are established in the South may not depend on local banks for loans. However, no information is available on the extent to which they borrow from local banks. It is probable that they add to bank deposits in the area on their own accounts and through payrolls and other disbursements to meet expenses. The relatively low ratio of loans to assets in banks of Arkansas, Kentucky, South Carolina, and other States may be accounted for in part by the growth of branch firms.

When borrowers obtain loans involving participations by out-of-State lenders—such as an Arkansas borrower obtaining funds from a Memphis, St. Louis, or Dallas bank, or a Georgia airline borrowing from banks in a dozen States on one loan—deposits in the banks of the State where the borrower is located may increase, with no correspond-

[4] Mississippi Banker, May 1952.

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ing increase in loans. Spending of the loan proceeds may move deposits into States other than that of the lending bank, raising the loan-deposit ratio. The high percentage of loans to deposits in Tennessee may result in part from considerable lending in other States on its borders.

Variations in ratios among banks are so numerous and extreme in some States that an average relation, particularly among larger banks, is not indicative of credit policy. For example, among the 10 largest banks in Arkansas, holding 40 percent of all deposits, loan to deposit ratios in 1955 ranged from 19 to 61 percent.

ADEQUACY OF BANK CREDIT

The question is frequently raised whether sufficient bank credit is available in the South to meet business needs at reasonable terms. Bankers generally maintain that borrowers who are able to repay do get credit on the terms they need and that more fundamental problems in the development of business are insufficient equity capital and inefficient management.

In response to questions from the Legislative Reference Service, Library of Congress, about adequacy of credit in the Eighth (St. Louis) Federal Reserve District, which includes some southern States, Mr. Delos C. Johns, president of the Federal Reserve Bank of St. Louis stated:

> It is our opinion that whatever fringe of unsatisfied credit-worthy demand exists is relatively small in comparison with the volume of credit-worthy demand that is satisfied by the commercial banks in * * * the eighth district * * *.

Mr. Hugh Leach, president of the Federal Reserve Bank of Richmond, stated in response to the same question:

> Lenders in Virginia, North Carolina, and South Carolina now have sufficient resources to finance adjustments required to raise the relative economic position of these States. This improvement has in fact been taking place for many years, and there is no indication that it is coming to a halt or that insufficient financing threatens to interrupt it.
>
> Lenders' policies and practices keep apace of the needs of borrowers who desire to improve their farming or to add to industrial activity or who possess the necessary experience and knowledge to make their proposed actions economically feasible. In fact, recent years have seen many examples within this district of lenders actually setting the pace within their areas of operation through providing technical assistance and information in addition to financing. Extensive interest has been shown by bankers in understanding the problems of particular borrower groups and in developing lending techniques suitable to those problems. Regional banker meetings, for example, have been held from time to time in Virginia, North Carolina, and South Carolina to discuss agricultural developments and adaptation of financing to these new situations.

Mr. Malcolm Bryan, president, Federal Reserve Bank of Atlanta, thought that the financial resources of his area could not be sufficient

to supply all the credit needed in the rapidly growing economy of the area. He stated, however, that the South has been able to use the resources of other areas, and that the area has benefited from the inflow of capital from outside the region. The combined internal resources plus the funds that came in from outside, he believed, were sufficient for the needs of the farmers in his district. He thought that the lenders in his district have adapted their policies and practices to the needs of the borrowers who desired to improve their farming. He identified the interest of the lenders with the interest of the borrowers.

> The self-interest of lenders is an incentive to adjust their policies to the needs of their borrowers. There are instances, of course, when borrowers and lenders do not recognize opportunities. * * * I have been particularly impressed by the efforts of bankers to help in making agricultural adjustment.

The following excerpts give the views of some Southern bankers on the adequacy of credit:

> There are millions of people today who need banking services but who never darken our banking doors. Many thousands go to second-story loan sharks rather than come into our installment-loan departments. There are other thousands who go to the post office with their savings or to buy money orders who ought to be using our banks.—Southern Banker, October, November 1952.
>
> * * * Many qualified borrowers are not adequately served in some instances and have to obtain loans and other considerations in adjoining communities.—Tennessee Banker, June 1955.
>
> The number of loans a banker may actually make or turn down and the manner in which he may handle each transaction is not always the index to the opportunities the banker may have had to make or turn down a credit risk. Too many times a banker's attitude toward an applicant has been the determining factor as to whether 1 or 5 or hundreds of other applicants will or will not come to the bank to present their financial problems.—Mississippi Banker, May 1952.
>
> * * * strenuous efforts should be made to use existing financing sources fully (for agriculture and small business). Commercial banks, particularly, have opportunities in this direction * * * In some areas, too, there are local shortages of credit * * *.—Atlanta Federal Reserve Bank Monthly Review, May 1953.
>
> Banks in the South have been particularly aggressive in seeking loan accounts. Larger banks have correspondent departments under the direction of top-level management. Some also have departments to encourage business development loans or someone assigned to such work * * *.
>
> The employment of farm specialists has also increased * * *.
>
> It has been my observation that lenders have shown an increasing eagerness to help their borrowers or potential borrowers * * *.—A Georgia banker, November 1955.

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There have been occasions when the term of loan which is proposed is too long for a commercial bank and a great many of the banks in our territory are now familiar with the availability of outside capital so that when such a proposition is presented to them, which they cannot enter into themselves, they are able to help the proposed borrower by sending him to a lending institution which will be interested in considering his request.

Correspondents are likewise helpful to the small banks in arranging with other lenders long-term credits. They are also helpful in finding industrial bankers or brokers should new capital have to be raised through the issuance of additional equity capital.

A great many of the industries in Kentucky have received outside capital and quite a few of the operations are divisions or branches.—A Kentucky banker, November 1955.

Bankers can become more familiar with the new lending techniques and adapt old ones to the unique financing problems of small business and agriculture. Some banks can also establish special loan departments for farmers and small-business men.—Atlanta Federal Reserve Bank Monthly Review, May 1953.

Terms on which loans have been granted do not appear to have been a major factor. If anything, they have been flexible enough to actually promote progress and have to our knowledge been adequate for the needs of all borrowers in the area.—A Georgia banker, November 1955.

* * * from the standpoint of the lender, I think the terms offered will undoubtedly be as liberal, in most instances, as it is possible to extend under current economic conditions.—A Virginia banker, November 1955.

The terms on which loans are granted evidently do not impede efforts of borrowers to obtain, and lenders to supply, credit that is adequate to the needs of the borrower.—A Mississippi banker, November 1955.

Many observers have questioned, however, the adequacy of credit and capital facilities for smaller and medium-size firms in the South as well as the rest of the country. A recent study by the Office of Business Economics, United States Department of Commerce, was addressed to this problem for the entire country. The survey was based upon some 5,000 replies to questionnaires sent to 15,500 businesses. Many active small firms are able to get at least part of the funds they consider necessary. However, a large percentage do not get all the funds they want. The study indicated that credit refusals are greater for the new and smaller firms than for established and larger firms.[5]

No separate tabulations of data for southern respondents to the questionnaire have been made available. However, the implications of the results are clear enough, when considered in the light of other facts about bank lending in the South. Southern banks on the whole do not use as much of their deposits for lending as do banks in the rest of the country. Small firms therefore would not be expected to

[5] McHugh, Loughlin F., and Jack N. Ciaccio. External Financing of Small- and Medium-size Business, Survey of Current Business, October 1955, pp. 15-23.

be given much more liberal treatment in the South than elsewhere. Small firms generally consider available credit to be inadequate. Recent studies of the House Small Business Committee indicate an increasing credit inadequacy for the smaller business firm. In addition, in the Atlanta Federal Reserve District, for example, larger southern corporations have in recent years obtained fewer long-term loans from banks than is usual for large national corporations. To the extent that credit is limited in the South, and especially for the small firm, there is a tendency for promoting economic concentration and for restricting the rate of development of the South.

Commercial and industrial loans

While inadequacies of credit for business may exist in the South, bank-credit statistics indicate that commercial and industrial loans in many of the Southern States now are as large a part of loans of banks of every size operating there, as in the Nation as a whole. If adequate business credit is to be supplied and at the same time demands are to be met for longer term farm credit and for consumer credit, loans will have to be expanded in relation to deposits and total deposits and capital will have to be increased. It is to be remembered that although the 11 Southern States have one-fifth of the Nation's population, their total bank resources are less than one-ninth of the national total.

During the decade ending June 30, 1955, commercial and industrial loans of insured commercial banks increased by 329 percent in the South compared with 280 percent for the rest of the country. In only 3 of the 11 States was the increase less than the national average. Total loans and discounts of insured banks also have increased more rapidly in the South than in the rest of the country as indicated in table 46.

TABLE 52.—*Commercial and industrial loans of insured commercial banks, United States and the South, June 30, 1945, and June 30, 1955*

[In millions of dollars]

Area	June 30, 1945	June 30, 1955	Percentage increase
United States	$7,502	$28,833	284
South	642	2,756	329
Rest of United States	6,860	26,077	280
Alabama	43	180	319
Arkansas	15	76	407
Florida	65	359	452
Georgia	105	390	271
Kentucky	53	197	272
Louisiana	71	356	401
Mississippi	19	101	432
North Carolina	80	334	318
South Carolina	23	90	291
Tennessee	92	392	326
Virginia	76	281	270

Source: Federal Deposit Insurance Corporation; Reports of Assets and Liabilities.

Commercial and industrial loans accounted for more than two-thirds of the total business credit extended by banks in the South as of June 30, 1955. Tennessee led the Southern States in the amount of commercial loans of banks; and Georgia and Florida banks made approximately as large a volume of commercial and industrial loans.

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TABLE 53.—*Business loans made by insured commercial banks, United States and the South, June 30, 1955*

[Millions of dollars]

Area	Total		Commercial and industrial loans		Real estate, nonfarm, nonresidential		Loans to individuals [1]		Securities loans	
	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total
United States	40,539.0	100	28,832.5	71.1	3,512.3	8.7	3,678.4	9.1	4,425.8	10.9
South	4,048.3	100	2,756.4	68.1	467.7	11.6	640.6	15.8	183.4	4.5
Rest of United States	36,490.7	100	26,076.1	71.5	3,044.6	8.3	3,037.8	8.3	4,242.4	11.6
Alabama	259.8	100	179.6	69.1	25.1	9.7	47.1	18.1	8.1	3.1
Arkansas	118.7	100	75.6	63.7	18.4	15.5	21.6	18.2	3.2	2.7
Florida	532.8	100	359.3	67.4	69.1	13.0	73.2	13.7	31.2	5.9
Georgia	542.8	100	390.0	71.8	48.1	8.9	74.1	13.7	30.5	5.6
Kentucky	326.9	100	197.3	60.4	42.7	13.1	69.7	21.3	17.1	5.2
Louisiana	466.8	100	355.6	76.2	54.4	11.7	45.8	9.8	11.1	2.4
Mississippi	149.6	100	101.1	67.6	19.9	13.3	20.1	13.4	8.4	5.6
North Carolina	501.2	100	334.1	66.7	60.5	12.1	79.2	15.8	27.4	5.5
South Carolina	140.2	100	90.3	64.4	19.8	14.1	25.1	17.9	4.9	3.5
Tennessee	550.0	100	392.4	71.3	42.7	7.8	90.3	16.4	24.6	4.5
Virginia	459.5	100	281.1	61.2	67.0	14.6	94.4	20.5	16.9	3.7

[1] Loans classified as other loans to individuals in bank reports to Federal supervising agencies have been reclassified, transferring to the business loans to individuals the following:
5 percent of retail automobile installment loans
20 percent of other retail installment loans
15 percent of repair and modernization installment loans
55 percent of single-payment cash loans

Source: Federal Deposit Insurance Corporation; Report of Assets and Liabilities, June 30, 1955.

Commercial and industrial loans generally are a larger part of loans by Federal Reserve member banks than of loans by nonmember banks. State member banks have expanded their commercial lending more than other banks in North Carolina and Mississippi. Single-payment cash loans, which often are business loans, also are more important among member banks than nonmember banks in the region.

Commercial loans are generally at a seasonal peak at the end of the year. The peak is more pronounced in some States than in others. For example, there is no clear seasonal peak in Georgia, little in South Carolina, but the peak is pronounced in Tennessee. The kind of bank at which the peak is sharpest differs among the States. The seasonal peak is highest at State nonmember banks in Mississippi and North Carolina, at State member banks in Kentucky, and at national banks in Arkansas and Tennessee. There is no clear seasonal movement in single-payment loans.

Variations in seasonal peaks result from differences in economic characteristics of the States as well as from differences in lending practices. If commercial and industrial loans are primarily 15- to 90-day commercial loans, made to retailers or wholesalers to take care of seasonal requirements for temporary additional working funds and to be liquidated from current sales, then sharp seasonal peaks are likely because of regular seasonal changes in retailing. The peaks would diminish if the banks were to diversify their lending by extending more intermediate and longer term loans and thus participate more actively in economic development programs.

There is little information on the extent to which business in the South depends upon long-term bank loans. It appears, however, that among the large southern corporations, long-term bank lending is

much less important as a source of funds than it is for national corporations; short-term bank loans are more important in the South than for national corporations. Small banks generally lack experience with long-term commercial loans and concentrate on real-estate and consumer loans. However, if communities are generally to participate in industrialization, then local commercial banks may have to consider seriously the advice offered them, to the effect that they should—

> make the opportunity to sit down with these [business] people one at a time and talk about what could be done to provide a few more jobs in your town.[6]

TABLE 54.—*Size distribution of all banks, by total deposits, United States and the South, 1955*

Area	$50 million and over	$25–50 million	$15–25 million	$5–15 million	$2.5–5 million	$1–2.5 million	Under $1 million
United States	583	514	696	3,173	3,360	4,111	1,907
South	72	64	103	557	695	864	474
Rest of United States	511	450	593	2,616	2,665	3,247	1,433
Alabama	6	1	12	31	55	92	40
Arkansas	2	7	1	36	48	86	53
Florida	13	16	29	80	52	31	11
Georgia	4	6	7	48	74	140	116
Kentucky	6	3	8	50	111	120	72
Louisiana	12	7	6	48	53	36	14
Mississippi	2	1	6	41	58	63	26
North Carolina	7	6	10	64	52	62	19
South Carolina	2	3	3	24	31	52	38
Tennessee	10	1	10	49	66	95	68
Virginia	8	13	11	86	95	87	17

Source: Rand McNally Bankers Directory, final 1955 edition.

An obstacle to developmental lending for a large part of the banks of the South is the small size of the banks. A tabulation of the number of banks in each size class (table 54) shows the great preponderance of small banks in the South. Loans to one borrower are limited in various jurisdictions to 10 to 20 percent of the bank's capital and surplus. Most nonmember banks in the South have capital of less than $250,000, and the average capital accounts of nonmember banks are above $250,000 in only five States. The average capital account of nonmember banks is about 50 percent greater than it was as recently as 1948. Average capital accounts of member banks are very much higher, yet an "average" member bank could lend more than $100,000 on 1 loan in 6 of the 11 Southern States.

TABLE 55.—*Average capital accounts of insured banks in the South, 1954*

Area	Federal Reserve member banks	Nonmember banks	Area	Federal Reserve member banks	Nonmember banks
Alabama	$916,420	$194,100	Mississippi	$844,620	$259,720
Arkansas	689,410	185,300	North Carolina	1,622,180	493,380
Florida	1,509,820	321,650	South Carolina	1,014,710	235,570
Georgia	1,632,670	212,940	Tennessee	1,536,250	225,700
Kentucky	857,020	232,360	Virginia	657,450	321,540
Louisiana	1,976,540	318,340			

Source: Computed from Federal Deposit Insurance Corporation; Reports of Assets and Liabilities.

[6] Peter F. Watsek, in Arkansas Banker, July 1954.

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The States in which banks are large enough to extend credit to medium- and large-size manufacturers are those in which the percentage of commercial and industrial loans are the largest. Small banks are limited in their capacity to finance industry. In the Nation's banks as a whole—and those of the South apparently do not differ in this respect—commercial and industrial loans increase in relative importance as the size of bank increases. In all the Nation's commercial banks with less than $1 million of deposits, commercial and industrial loans are only 7.6 percent of loans. The very large banks, those with more than $1 billion in deposits (none of them in the South) have over half of their loans in the commercial and industrial category, and make about 40 percent of the amount of all such loans made by banks.

The size of banks in the South restricts their commercial and industrial lending. Banks outside of the region lend to the larger firms in important industries in the region; and branch plants of national corporations may retain their connections with banks outside of the district.

Data on the type of business which received loans were prepared by the Richmond Federal Reserve Bank. Trade and manufacturing accounted in October 1955 for half of the total volume of loans made by member banks in the district. While the value of the loans was somewhat higher for trade than for manufacturing, the number of loans in trade was three times as large as in manufacturing. By way of comparison, in the Philadelphia District, manufacturing accounted for a third of the total loans and trade for 23 percent, and the number of loans in trade was twice as high as in manufacturing.

TABLE 56.—*Percent distribution of number and amount of business loans by type of business, Richmond and Philadelphia Federal Reserve Districts, Oct. 5, 1955*

[Percent of total loans]

Business of borrower	Richmond		Philadelphia	
	Amount outstanding	Number of loans	Amount outstanding	Number of loans
All business	100.0	100.0	100	100
Manufacturing and mining	23.5	14.4	33	19
Food, liquor and tobacco	5.1	2.6	5	3
Textiles, apparel and leather	7.0	1.8	7	4
Metals and metal products	3.2	2.4	12	5
Petroleum, coal, chemicals and rubber	1.7	2.1	3	2
All other	6.5	5.5	6	5
Trade	27.4	43.9	23	39
Wholesale	8.5	7.0	8	8
Retail	18.9	36.9	15	31
Other	49.1	41.7	44	42
Transportation, communication, other public utilities	6.0	3.3	6	3
Services	6.8	15.0	10	17
Sales finance companies	8.9	.9	10	1
All other	27.4	22.5	18	21

Source: Monthly Review of Federal Reserve Bank of Richmond and Business Review of Federal Reserve Bank of Philadelphia, April 1956.

Illustrations of industrial financing

The discussion of business loans to banks has indicated that credit available to small business in the South is inadequate, as it is generally throughout the Nation. If there is to be a much greater volume of business loans, total resources of the banks must expand. Southern banks generally are too small to make business loans of the substantial size that many industries need. In order to show more specifically the role of the commercial bank in financing industry, loans to selected industries will be reviewed briefly.

Bank loans are made at all stages of production, from the production of agricultural and mineral raw materials until the finished goods are marketed. In one of the important new agricultural industries, the production of broilers, commercial loans are made to hatcheries, feed dealers and feed mills, and processors, as well as to growers. The commercial enterprises borrow from banks to acquire and carry inventories and receivables and to pay salaries and wages. Their receivables come from financing other parts of the industry. Dealers extend credit to growers; hatcheries and feed mills extend credit to growers and dealers; processors extend credit to buyers of dressed poultry, and to growers. On the basis of the growth of the poultry industry, the supply industries have made considerable capital investment. In Mississippi, for example, 14 processing plants and 66 feed mills have been built to serve the poultry industry.

Substantial commercial lending is required in the movement of cotton. First, country banks make loans to cotton farmers; they then finance the ginner pending sale of the cotton to the cotton merchants. The merchants accumulate cotton and store it or deliver it to mills or for export, with financial accommodation from the larger city banks. Other commodities such as peanuts, tobacco, and rice also are moved by dealers with the aid of bank loans.

The manufacture of apparel, particularly men's and boys' wear, is a leading industry in the Atlanta District States. Over 800 factories in this industry are located in small towns in Georgia, Tennessee, Mississippi, Alabama, Louisiana, and Florida. Most of them employ 50 to 100 people. Capital has been supplied locally or from retained profits. The bank loans in this industry are largely limited to less than 90 days, and are single payment, unsecured; average size is about $80,000, but over two-fifths of the loans to men's wear manufacturers average above $100,000. Manufacturers usually sell on terms of 2 percent discount if paid in 10 days, net amount due in 30 days, with extensive future dating of bills. Textile factoring firms often perform the collection functions for the mills.

Much of the textile industry does not require outside financing. When short-term financing is required, they frequently depend on factoring firms. Some of the Georgia banks supply inventory peak loans in participation with city correspondents located in the State.

The rayon industry in the Atlanta District is concentrated in 2 or 3 of the 6 active firms. The plants borrow from groups of banks outside the district or from insurance companies. They frequently obtain term loans because operations in an industry of such high capital investment are steady rather than seasonal. The financial requirements are too large for district banks.

Southern manufacture of farm equipment from local raw materials has grown rapidly since the end of World War II. Production in the

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Atlanta District States is mostly of implements which are adapted to local needs. Varying proportions of output are sold under the trade names of the national firms in the farm machinery field. Most of the southern firms are incorporated, but are small and controlled by local management.

Lumber production has been a booming industry in the South during the postwar expansion of the construction industries. Generally the producers have borrowed from banks only for seasonal needs. In Georgia they have borrowed on timber leases, field warehouse receipts for lumber, and real-estate mortgages. Loans secured by standing timber, which national banks were authorized to make by legislation enacted in 1953, have been extended to larger producers rather than to farmers.

The paper industry is a greatly expanded industry built on southern raw materials. The industry generally depends on other funds far more than on bank loans. Some of its financing in Georgia is through term loans of banks, but more is through sale of stock and debentures.

Southern banks have played a substantial part in financing the petroleum industry since proration of production began in the 1930's. Since then reinvested earnings and equity capital raised locally have become more important than funds from outside the South. Production loans, introduced after proration began, have been made by eight large banks in the Atlanta District States, and by some smaller banks on a participation basis or jointly with insurance companies. The amounts loaned are large, to provide operators with funds for exploration and development. Lenders do not try to compete against the financing sources of petroleum companies that move in from other areas. The loans are secured by mortgage on producing properties and sometimes on equipment, and do not exceed one-third of the anticipated net income from the properties. Most loans are repayable in installments over 2 to 5 years, and are renewable. Loans on these terms have replaced the older practice of 60–90-day loans that took account only of the borrower's financial statement. Some credit also is extended to drilling contractors, although they obtain most of their credit from oil supply companies.

A loan to an airline in 1952 was described as proving that "big business no longer has to go outside the South to arrange financing * * *"[7] The loan was originated by 4 Atlanta banks. The banks made loans to the extent of their legal limit of $4.5 million, and arranged for 25 banks in 5 Southern and 5 other States to take $15.5 million. In addition, a group of Atlanta security dealers underwrote $2.5 million of stocks in the airline.

The chemical industry apparently gets a small part of its financing from southern banks. It appears that the larger firms in the industry have sufficient equity capital so that they do not need bank financing. A discussion of the financial resources of the chemical industry in the East South Central States stated that in 1955 the most pressing problem in the chemical industries was the inability of small- and medium-sized firms to obtain bank credit. They were cramped even on short-term funds by inadequate bank credit. They were compelled to depend unduly on rescue loans from finance companies, and were unable to take advantage of commercial discounts. Consequently, some of the firms resorted to factoring of accounts receivable, chattel

[7] Southern Banker, October 1952.

mortgage loans, and finance company credit to increase their operating capital. "As long as the company is a going concern," commented the survey, "with a reasonable outlook for growth and expansion, there is always some financial agency that can solve its problem." [8] As a result of these methods of financing, the smaller firms had higher costs than the larger companies.

Banks in the South finance some imports from other countries, but finance much more of exports, especially cotton. They sometimes act as agents of New York and other banks. The bulk of the loans on imports are for staples, particularly coffee; and 90 percent are made to large wholesalers. Credit is extended as letters of credit, at a commission of one-eighth of 1 percent for each 30 days on the amount stipulated in the letter. Financing facilities are not deemed adequate for small importers who handle speciality items.

BANK LOANS TO FARMERS

Real-estate and non-real-estate farm credit

Loans to farmers use less of the banking system's credit-granting power than do loans to business or consumers, or investment in Government securities. In southern banks the total volume of loans to farmers is about 12 percent of total loans, i. e., about one-fifth as much as loans to business and over one-third as much as loans to consumers. Farm loans in the 11 Southern States vary from 4 to 31 percent of their bank loans. The average proportion of farm loans to all bank loans of the South is well above the average for the Nation. The difference is due largely to the greater importance of the commercial-loans category outside of the South, especially in the larger cities. In a study of bank lending in places of 15,000 population or less, it was found in 1953 that the proportion of farm loans of banks in the Southern States was in most cases somewhat below the average for banks in places of such size throughout the Nation.

About three-fifths of bank farm loans in the United States in recent years have been obtained from banks with deposits of less than $10 million. Among banks of such size, there are many that make little or no credit available to farmers, and there are some whose loans to farmers comprise about four-fifths of their total loans. The high proportion of banks that specialize in farm loans suggests that they may be particularly vulnerable to adverse agricultural conditions.

Banks in the United States rank higher among the sources of non-real-estate farm credit than they do among the sources of farm credit secured by real-estate mortgage. They supply about three-fourths of the non-real-estate farm credit and about 15 percent of the farm credit secured by real-estate mortgage. Southern banks furnish about 60 percent of the non-real-estate credit, compared with 75 percent elsewhere; they supply about 19 percent of real-estate credit, compared with 15 percent elsewhere. In the South, the banks' principal competitors are the production credit associations which make a much larger part of non-real-estate loans than they do elsewhere. The Farmers' Home Administration, which lends to marginal farmers, supplies proportionately more of farm credit in the South than in the rest of the country. Details for the various Southern States are shown in the attached tabulations.

[8] Industrial and Engineering Chemistry, November 1955.

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TABLE 57.—*Non-real-estate loans to farmers, by major lending groups, United States and the South, Jan. 1, 1955*

[Millions of dollars]

Area	Total	Operating banks	Production credit associations	Federal intermediate credit banks	Farmers' Home Administration			
					Total	Production and subsistence loans	Production and economic emergency loans	Emergency crop and feed loans
United States	4,002.3	2,933.9	577.0	58.3	433.1	346.3	70.5	16.3
South	566.9	342.8	118.9	6.7	98.6	84.0	12.3	2.3
Rest of United States	3,435.4	2,591.1	458.1	51.6	334.5	262.3	58.2	14.0
Alabama	47.8	31.8	6.9	.9	8.3	7.6	.6	.1
Arkansas	58.8	35.5	7.1	.7	15.4	11.8	3.2	.4
Florida	44.9	20.5	16.5	.6	7.3	5.5	1.6	.2
Georgia	60.3	33.7	15.0	(1)	11.5	10.3	.9	.3
Kentucky	76.1	56.7	12.5	(1)	6.8	6.0	.8	(1)
Louisiana	43.3	22.3	12.2	.6	8.2	7.4	.4	.4
Mississippi	54.0	23.6	12.3	3.6	14.6	12.5	1.9	.2
North Carolina	44.3	25.6	9.5	0	9.2	8.5	.6	.1
South Carolina	26.5	10.0	8.4	0	8.2	6.7	1.2	.3
Tennessee	60.6	44.7	10.5	.3	5.1	4.4	.6	.1
Virginia	50.3	38.4	8.0	0	4.0	3.3	.5	.2

[1] Less than 0.05.

Source: U. S. Department of Agriculture, Agricultural Research Service.; Agricultural Finance Review, May 1955, p. 25.

TABLE 58.—*Percent distribution of non-real-estate loans to farmers, by major lending groups, United States and the South, Jan. 1, 1955*

Area	Total	Operating banks	Production credit associations	Federal intermediate credit banks	Farmers' Home Administration			
					Total	Production and subsistence loans	Production and economic emergency loans	Emergency crop and feed loans
United States	100	73.3	14.4	1.5	10.8	8.7	1.8	0.4
South	100	60.5	21.0	1.2	17.4	14.8	2.2	.4
Rest of United States	100	75.5	13.3	1.5	9.7	7.6	1.7	.4
Alabama	100	66.5	14.4	1.9	17.4	15.9	1.3	.2
Arkansas	100	60.4	12.1	1.2	26.2	20.1	5.4	.7
Florida	100	45.7	36.7	1.3	16.3	12.2	3.6	.4
Georgia	100	55.9	24.9	(1)	19.1	17.1	1.5	.5
Kentucky	100	74.5	16.4	(1)	8.9	7.9	1.1	(1)
Louisiana	100	51.5	28.2	1.4	18.9	17.1	.9	.9
Mississippi	100	43.7	22.8	6.7	27.0	23.1	3.5	.4
North Carolina	100	57.8	21.4	.....	20.8	19.2	1.4	.2
South Carolina	100	37.7	31.7	.....	30.9	25.3	4.5	.1
Tennessee	100	73.8	17.3	.5	8.4	7.3	1.0	.2
Virginia	100	76.3	15.9	.....	8.0	6.6	1.0	.4

[1] Less than 0.05.

Source: U. S. Department of Agriculture, Agricultural Research Service; Agricultural Finance Review, May 1955, p. 25.

TABLE 59.—*Percent distribution of real-estate loans to farmers, by major lending groups, United States and the South, Jan. 1, 1955*

Area	Total	Federal agencies				Life insurance	Operating banks	Individuals and miscellaneous lenders
		Total	Federal land banks	Federal Farm Mortgage Corporation	Farmers Home Administration			
United States	100	19.0	15.5	0.2	3.3	25.0	14.8	41.2
South	100	21.8	13.9	.2	7.7	21.2	19.9	37.1
Rest of United States	100	18.4	15.8	.2	2.4	25.9	13.7	42.0
Alabama	100	36.3	24.4	.2	11.8	9.4	15.3	38.9
Arkansas	100	18.4	10.0	.1	8.2	41.4	11.2	29.0
Florida	100	11.7	8.5	.2	3.0	33.0	10.1	45.2
Georgia	100	24.2	14.8	.2	9.3	14.8	20.1	40.9
Kentucky	100	12.8	9.6	.1	3.1	26.3	34.9	25.9
Louisiana	100	29.6	19.0	.1	10.5	20.6	21.4	28.5
Mississippi	100	29.3	16.6	.1	12.6	26.8	12.2	31.7
North Carolina	100	20.0	13.1	.2	6.7	12.8	18.9	48.2
South Carolina	100	35.3	22.8	.4	12.1	7.2	11.9	45.8
Tennessee	100	18.1	11.8	.1	6.2	17.2	29.5	35.0
Virginia	100	13.6	9.4	.1	4.1	16.1	31.3	39.1

Source: U. S. Department of Agriculture, Agricultural Research Service; Agricultural Finance Review, May 1955.

The purpose of a loan is not always indicated by the fact that it is made with real-estate mortgage as security, or with chattel mortgage security, or is unsecured. Both non-real-estate credit and a large part of real-estate credit have been extended to finance cash-crop production. The use of real-estate security for bank farm operating loans is in part a matter of tradition, and sometimes a matter of improving the bank's security when debt increases in relation to equity.

In addition to direct farm real-estate loans, banks also initiate both purchase and refinancing loans that are carried by insurance companies, either alone or in participation with banks. Sometimes banks initiate these loans in order to consolidate outstanding credit. If the banks need additional security of a mortgage for further operating credit, an insurance company may be persuaded to take a mortgage which will refinance outstanding debt and the bank then can continue to provide operating credit without real-estate security. Such cooperation between banks and insurance companies normally applies to larger loans for farm consolidation and diversification.

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TABLE 60.—*Agricultural loans made by insured commercial banks, United States and the South, June 30, 1955*

[Millions of dollars]

Area	Total		Agricultural credit (excluding CCC loans)						Commodity Credit Corporation guaranteed loans	
			Total		Non-real-estate		Real estate			
	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total
United States	$5,581.8	100	$4,707.6	84.3	$3,464.3	62.1	$1,243.3	22.3	$874.2	15.7
South	945.0	100	834.4	88.3	512.7	54.3	321.6	34.0	110.6	11.7
Rest of United States	4,636.8	100	3,873.2	83.5	2,951.6	63.7	921.7	19.9	763.6	16.5
Alabama	83.8	100	75.3	89.9	55.3	66.0	20.1	24.0	8.5	10.1
Arkansas	101.1	100	78.7	77.8	60.5	59.8	18.2	18.0	22.4	22.2
Florida	36.8	100	34.5	93.7	20.4	55.4	14.1	38.3	2.3	6.2
Georgia	108.1	100	96.2	89.0	54.8	50.7	41.3	38.2	12.0	11.1
Kentucky	115.2	100	114.0	99.0	58.5	50.8	55.5	48.2	1.2	1.0
Louisiana	60.0	100	49.2	82.0	28.6	47.7	20.6	34.3	10.8	18.0
Mississippi	86.3	100	64.7	75.0	41.3	47.9	23.3	27.0	21.6	25.0
North Carolina	103.5	100	100.6	97.2	61.9	59.8	38.7	37.4	2.8	2.7
South Carolina	38.5	100	30.9	80.3	21.3	55.3	9.6	24.9	7.6	19.7
Tennessee	121.1	100	104.2	86.0	62.7	51.8	41.5	34.3	16.9	14.0
Virginia	90.6	100	86.1	95.0	47.4	52.3	38.7	42.7	4.5	5.0

Source: Federal Deposit Insurance Corporation; Liabilities, and Capital Accounts, Commercial and Mutual Savings Banks, Report No. 43, June 30, 1955.

Bank credit is used not only for crop production but also for adjustment of agriculture to new conditions. About one-third of the farmers in the South are using credit in farm adjustments. It has been estimated that—

> About 45 percent of the farmers in the Southeast [excluding Florida] have been making substantial shifts and adjustments in their farm operations in recent years. The most common adjustments made are to add grass and livestock to the farm's operations, to mechanize farms, and to make changes in the type of farming carried on. Other less important adjustments being made include the addition of new buildings, expansion of conservation farming, and enlargement of farms. As farmers have made these changes, they also have tended to decrease the production of cultivated crops sold for cash while increasing the production of livestock and livestock products * * *. An estimated 76 percent of the farmers in the South who are making shifts and adjustments use credit to help finance such changes. The need for credit for this purpose is expected to increase during the next few years.[9]

Adequacy of credit for adjustment

Considerable evidence seems to point to the fact that farmers with limited resources have difficulties in obtaining credit for expansion, while those with ample resources have little difficulty in securing such credit.

The increasing farm adjustments which characterized the period following World War II brought into greater prominence the lack of capital and credit. Southern bankers recognized that the development of land-use programs in the individual counties had outstripped their ability to finance programs for changing from one crop to more diversified farming. A study of a number of larger-than-average loans in the Delta counties in Arkansas in 1950 showed that cotton-production loans were predominant, but that a substantial percentage of loans were made for adjustments. Loan-application rejections amounted to 20 percent for applicants who were using the loan in part for machinery, while rejections of cotton-production loans were 60 percent, and rejections of loans for crops plus livestock were 50 percent.

Bankers in the Atlanta district found that when they financed farm adjustments, farmers' needs for credit sometimes grew faster than the resources of the bank, and rationing of credit became necessary. The Atlanta Federal Reserve Bank stated in 1951: "In a sense this development seems to reveal an imperfection in the capital market or in the structure of banking as it affects agriculture." In subsequent years, the city banks have made more agricultural loans, and more in participation with the smaller banks. However, credit has not been adequate to meet all needs. Among farmers who have been unable to make desired adjustments in the scale and type of their operations, 26 percent have been prevented by inadequate credit, according to opinions of observers surveyed by the Farm Credit Administration in 1955.

[9] Source: Farm Credit Administration; Survey of Credit for Farm Adjustment in the South, preliminary report, November 1955.

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TABLE 61.—*Relative importance of factors retarding southern farmers in making desirable shifts or adjustments* [1]

State	Percent of farmers retarded by factors not related to credit	Percent of farmers retarded by inability to obtain necessary credit
Average, 10 States	74	26
Virginia	84	16
North Carolina	83	17
South Carolina	75	25
Georgia	66	34
Kentucky	77	23
Tennessee	76	24
Alabama	63	37
Mississippi	70	30
Louisiana	74	26
Arkansas	72	28

[1] Based on all commercial and part-time farmers. Excludes residential farms.

Source: Farm Credit Administration; Survey of Credit for Farm Adjustments in the South, preliminary report, November 1955.

The continuing inadequacy of credit may have many explanations. But the uncertainty of profit from enlarging and diversifying farming and the shortness of the term of loan are often emphasized.

Many farmers are so uncertain as to the profit to be obtained by enlarging and diversifying their operation that they do not undertake such projects. Bankers may also be uncertain about the gains and thus deny or limit credit. An economist in Georgia has remarked that although the lenders in the State do not have resources sufficient to finance all the adjustments that are desirable, funds are sufficient to finance the adjustments which farmers are willing to make. He remarked, however, that some difficulty was experienced in securing loans at the time when they were needed.

The length of time over which loans are extended is often considered to be too short to allow the adjustments to be made. It is frequently indicated that commercial banks are reluctant to lend beyond 1 year, although loans for 1 year may be renewed and sufficient time to pay out the loan may be obtained in this way. The factor of too-short term, like that of uncertainty about profit, is closely related to agricultural price developments. Lower prices reduce net income and the money available to pay for machinery. Experience of farmers in a very heavily mechanized area, the northern plains, is the basis of conclusions which are relevant on this point:

> Among these farms a dollar of machinery expenditures, is, as a rule, accompanied by a dollar of net income. The machinery dollar can mean as much as $2 in net farm income when farm prices are 110 percent of parity, $1 at 100 percent of parity and only about half a dollar when farm prices are 90 percent or less of parity.[10]

Both inadequate credit for small borrowers and the current practice of lending most readily for purchase of good (rather than average or poor) land create problems for tenants and for new farmers. An

[10] L. H. Bean, in Implement and Tractor, January 1, 1955, p. 30.

emphasis on real-estate mortgages for purchase of machinery and stock reduces the availability of credit to tenants. Some bankers think that tenants should avoid or minimize investment in machinery and stock, in order to build up enough savings to make a one-third downpayment on purchase of a farm. Other bankers have worked with tenants and owners to develop new tenure relationships in which tenants are able to acquire stock and equipment and learn the management required for a diversified operation. Part-time farmers have difficulty in securing intermediate-term loans for purchase of machinery and livestock.

The Secretary of Agriculture in considering the problem of low-income farms made specific recommendations with reference to intermediate-term credit. He urged that this type of credit be increased and expressed the belief that the 1955 supply was not adequate. The Secretary of Agriculture went on to say:

> Usually when they are available, they are drawn for repayment at the end of the year with a general understanding that the unpaid portion will be renewed. Loans for equipment, livestock, or working capital cannot be repaid in a year. It takes time for the increased returns to be realized.[11]

Another approach to meeting farm credit needs was suggested by the Atlanta Federal Reserve bank:

> Bankers need not encourage a movement from farms, but they can encourage the development of local industries and other employment opportunities that will help awaken landlords to the need for a better form of tenancy if they are to keep the manpower necessary to operate their farms * * * other steps that bankers can take in regard to their lending policies: discourage borrowing by tenants who come in each year for a little crop loan but make no financial progress, and encourage borrowing by tenants who work under an arrangement that gives them all the possibilities of diversification and accumulation of personal property that are open to landowners.[12]

HOUSING CREDIT

Credit secured by urban residential real estate accounted in 1954 and 1955 for a significant proportion of total bank loans in each of the Southern States. The State banks have a long history of real-estate lending. The national banks entered this field only after 1913, and have been subject to more restrictions, with respect to amount of loan and maturity, than the State banks. The relative importance of such loans varies among the 11 States and ranged between 10 and 23 percent of the total loans of all banks. These loans constitute a substantial percentage of all loans in the very small banks, and amount to as much as one-fifth to one-third of loans made by banks with deposits of $10 million or less. In addition to mortgage credit, the banks extend without mortgage security a sizable volume of credit to construction firms and real-estate firms. Commercial banks provide

[11] Secretary of Agriculture: Agriculture's Human Resources, A Report on Problems of Low Income Families, 1955, p. 24.
[12] Atlanta Federal Reserve Bank Monthly Review, June 1953.

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less real-estate credit on home mortgages than is extended by the other two principal savings institutions, the savings associations and insurance companies.

Real-estate mortgages held by banks are shorter term than those of the other institutions. In part, the shorter term is accounted for by the restrictions of the National Banking Act. It may be due also to the fact that much of bank mortgage lending is to supply funds for purposes other than purchase of residences.

The banks' real-estate loans depend to some extent on the activity of mortgage bankers or real-estate firms who "originate" mortgages, and on the insurance companies' willingness to provide more permanent mortgage money. The shorter term bank loans in turn facilitate or make possible mortgage lending by other institutions, such as insurance companies.

Secured construction loans in June 1950 ranged from 1.4 percent to 26 percent of bank loans in the different States of the South. The lowest percentages in the South occurred in some States in the Richmond and St. Louis districts. The construction loan may be made as frequently, but is less often secured by real estate, in those districts and is counted as a commercial and industrial loan when not so secured. The St. Louis Bank Monthly Review has stated that builders typically get their construction loans from banks and their permanent funds from insurance companies or savings and loan associations. The banks in the St. Louis district may make construction loans, as they also make farm loans, more frequently without security of a mortgage than is the practice farther to the south and east.

Most bank loans on residential real estate in the Southern States are secured by mortgages on 1 to 4 family dwellings. Eighty percent or more of the loans were so secured in 1950, except in Alabama, Florida, and North Carolina. The remainder of bank loans secured by residential real estate were for dwellings to house five or more families, for temporary construction loans, and for "interim" financing of other real-estate lenders.

The conventional loan is more important among bank residential real-estate loans in the South than for the country. These loans now (as is common through the United States) are amortized rather than straight loans. The percent of outstanding amortized bank loans in 1950 ranged from about 60 percent in Kentucky and Mississippi to 70 to 75 percent in Georgia, Arkansas, the Carolinas, and Tennessee, to 75 to 80 percent in Alabama, Florida, Louisiana, and Virginia.

The significance of the use of amortized rather than straight loans, such as were most common in the 1920's, is fourfold:

1. The lending power of the bank constantly is restored by regular repayments of principal as well as payment of interest.

2. The borrower's regular payments meet interest requirements and reduce the face value of the loan more than in proportion to the declining value of the assets represented.

3. The borrowers have only to meet their monthly payments, and continuation of the credit does not depend on the financial condition of the lender. In the 1920's the borrower faced the possibility of being required to pay off the full amount of a 3- to 5-year straight mortgage if the lender's financial condition made him unable or unwilling to extend the loan.

4. Variations in credit terms can be used to reduce monthly payments thereby decreasing the resistance of buyers with regard to price.

Conventional mortgages average much smaller in amount than the FHA-insured and VA-guaranteed mortgages. The National Banking Act (until the summer of 1955) required amortization payments to be sufficient to repay at least 60 percent of the loan within 10 years. In 1950, the average FHA and VA loans were as large in the South as elsewhere. But conventional mortgages were on an average only three-quarters as large as elsewhere.

The second mortgage was not used more widely in the South than elsewhere in 1950. More recently the volume of second mortgages has expanded rapidly. Whether currently this type of mortgage is being used more or less in the South than elsewhere is not established.

Whether commercial banks outside the area buy mortgages in the South is not disclosed from the available loan data. However, a study made for the Housing and Home Finance Agency of the Jacksonville mortgage market in 1950 indicated that outside commercial banks did not buy mortgages in this area. Outside money comes from insurance companies and savings banks.

The bank lender is relatively less important than the insurance company and the local savings association in the residential credit market in the South than in the rest of the Nation.

The principal periods of growth of residential real-estate lending occurred between 1945 and 1950 and since 1954. The slower growth from 1951 to 1953 was accounted for in part by the fact that some banks in the South were drawing near their legal limits on real-estate loans. Slower growth was accounted for also by direct controls on building and credit, limitation of FNMA operations, and increases in Government bond yields. The last factor was most significant in affecting the low interest-yielding FHA and VA loans. When Government bond yields increase and corporate bond yields rise with them, such fixed interest obligations as FHA insured and VA guaranteed mortgages become less attractive and lenders consequently reduce the money available for such loans. A noticeable leveling out of bond holdings and some reduction in residential real-estate loans occurred in most Southern States during the 1951–53 increase in bond yields.

During and after 1953 these restraining influences were modified or removed and controls were eliminated. Banks raised their interest rates on time deposits to compete for funds. The increase in time deposits allows banks to make more real-estate loans because banking laws restrict real-estate loans to a certain percentage—60 percent in the national banks—of their time deposits. Bond yields in 1954 dropped to less than 3 percent and mortgage loans became more attractive.

Savings institutions extended their loans in 1955 and 1956 to the point that some were basing their loans on anticipated future inflow of savings, and on borrowing from commercial banks in order to make their loans.

As in other forms of bank credit, real-estate loans have risen in recent years relatively more rapidly in the South than in the rest of the country. During the decade ending June 30, 1955, real-estate loans made by insured commercial banks on residential properties

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grew more rapidly in 8 out of the 11 Southern States than in the United States as a whole.

TABLE 62.—*Real-estate loans of insured commercial banks on residential properties in the United States and the South, June 30, 1945, and June 30, 1955*

[In millions of dollars]

Area	June 30, 1945	June 30, 1955	Percentage increase
United States	3,192	14,957	369
Rest of United States	2,978	13,886	366
South	214	1,071	400
Alabama	15	73	387
Arkansas	6	34	467
Florida	14	122	771
Georgia	28	121	332
Kentucky	24	120	400
Louisiana	13	97	646
Mississippi	8	33	312
North Carolina	17	88	418
South Carolina	6	37	517
Tennessee	19	99	421
Virginia	64	247	286

Source: Federal Deposit Insurance Corporation; Reports on Assets and Liabilities.

CONSUMER CREDIT

Consumer credit represents a great break from the older philosophy of bank credit, namely, that commercial bank credit should be extended only for short-term self-liquidating productive purposes. An increasing number of bankers began to break with tradition and to extend consumer installment credit when they had successful experience lending to finance companies that made consumer installment loans, and when they gained experience with repair and modernization loans insured by FHA (title I).

Bankers not infrequently state that they have had more favorable experience with this sort of credit during periods of business contraction than with any other loans. This experience appears to be in contrast to fears that excess consumer debt will be accumulated and will result in mass default during any appreciable increase in unemployment.

A large volume of consumer credit has been granted by southern banks for automobile purchases. Automobile loans accounted on June 30, 1955, for almost a fourth of the total consumer credit extended by insured commercial banks. Automobile installment credit is more important to the smaller banks than to the larger. Total registrations of automobiles increased between 1941 and 1954 by 72.3 percent in Arkansas and 157.1 percent in Florida, with the rest of the South coming in between these extremes. Arkansas was 18th in rank among all the States in percentage increase in registrations. Stated another way 11 of the first 18 States in rank of relative increase in auto registrations between 1941 and 1954 were the Southern States.

In most of the South, automobile and other consumer credit constituted in June 1955 more than a third of all bank loans. The banks have become the most important source of consumer credit. Only in Louisiana and Mississippi are consumer loans a smaller percentage of total banks loans. In both States and in Kentucky, auto loans

are a comparatively small part of total loans; in Mississippi installment cash and single-payment cash loans are relatively less important than in any other Southern State.

The proceeds of many of the loans to individuals are used for business purposes. Estimates have been made by the Federal Reserve Board staff that, for the entire United States, 5 percent of automobile loans, 20 percent of repair and modernization loans, 15 percent of cash installment loans, and 55 percent of single-payment loans, should be considered as business rather than consumer loans. Estimates for the South are not available. However, these percentages have been used in the preparation of table 63 showing the distribution of consumer loans in the South as compared with the United States.

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TABLE 63.—*Consumer loans made by insured commercial banks by type of loan, United States and the South, June 30, 1955*

[Millions of dollars]

Area	Total		Retail automobile installment loans [1]		Other retail installment loans [1]		Repair and modernization installment loans [1]		Installment cash loans		Single-payment cash loans [1]		Residences	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
United States	$27,522.2	100	$4,855.2	17.6	$1,600.2	5.8	$1,386.8	5.0	$2,375.9	8.6	$2,346.7	8.5	$14,957.4	54.3
South	2,921.6	100	697.6	23.9	233.3	8.0	153.9	5.3	342.6	11.7	426.2	14.6	1,068.1	36.6
Rest of United States	24,600.6	100	4,157.6	16.9	1,366.9	5.6	1,232.9	5.0	2,033.3	8.3	1,920.5	7.8	13,889.3	56.5
Alabama	208.5	100	48.3	23.2	15.0	7.2	14.6	7.0	25.7	12.3	31.2	15.0	73.6	35.3
Arkansas	104.8	100	28.9	27.6	8.5	8.1	3.1	3.0	16.0	15.3	14.2	13.5	34.2	32.6
Florida	361.7	100	88.8	24.6	41.3	11.4	30.7	8.5	35.4	9.8	43.2	11.9	122.4	33.8
Georgia	346.7	100	96.4	27.8	30.6	8.8	17.7	5.1	33.3	9.6	47.7	13.8	121.0	34.9
Kentucky	260.7	100	40.3	15.5	14.7	5.6	14.3	5.5	19.3	7.4	52.3	20.1	119.9	46.0
Louisiana	221.4	100	35.5	16.0	17.1	7.7	10.5	4.7	34.8	15.7	30.9	14.0	92.6	41.8
Mississippi	95.6	100	19.0	19.9	9.1	9.5	3.7	3.9	17.4	18.2	13.4	14.0	32.9	34.4
North Carolina	334.6	100	102.5	30.6	25.8	7.7	11.1	3.3	53.7	16.0	53.5	16.0	88.1	26.3
South Carolina	107.0	100	27.1	25.3	8.7	8.1	4.1	3.8	13.4	12.5	16.9	15.8	36.7	34.3
Tennessee	353.0	100	105.7	29.9	33.1	9.4	24.5	6.9	31.7	9.0	59.0	16.9	99.1	28.1
Virginia	527.6	100	105.1	19.9	29.4	5.6	19.6	3.7	61.9	11.7	63.9	12.1	247.6	46.9

[1] Loans classified as other loans to individuals in bank reports to Federal supervising agencies have been reclassified, transferring to the business loans to individuals the following:

	Percent
Retail automobile installment loans	5
Other retail installment loans	20
Repair and modernization installment loans	15
Single-payment cash loans	55

Source: Based on figures in Assets, Liabilities, and Capital Accounts, Commercial and Mutual Savings Banks, June 30, 1955, Rept. No. 43 of Federal Deposit Insurance Corporation.

Consumer loans are extended by all banks, but not every bank extends installment loans. The country banks and the moderate-size city banks are frequent installment lenders and use a larger proportion of their deposits for this purpose than do larger banks with deposits over $100 million. In cities below 15,000, consumer installment loans are a smaller part of total bank loans. Southern banks in communities with a population of less than 15,000 persons make a larger part of their total loans to consumers on installments than banks in cities of comparable size elsewhere.

The principal competitive adjustments in consumer credit are in length of term and size of downpayment. These factors are the effective instruments for limiting or expanding the volume of credit. The banks have greater latitude with consumer credit than with real-estate credit in adjusting rates and terms.

The available data do not indicate the proportion of the population of the South currently owing installment debt and what the turnover rates are on such debt. Such data are important since there exists a danger of overextending consumer credit. Some calculations indicating the significance of expanding consumer credit have been suggested by the Philadelphia Federal Reserve Bank. The sale of cars on terms of one-quarter down and 36 months to pay results in the buyer having no equity before the end of the first year. After allowing for depreciation, sale of a house on no downpayment and 30 years repayment results in no equity for 9 years. Liberal terms tend to encourage overindebtedness with possible losses to both lender and borrower which may result in weakening the foundations of economic stability. Since consumer credit is more important in the banks of the South than in many other regions and has risen during the past decade more rapidly than in the rest of the United States, the dangers of overindebtedness may become relatively greater in the South.

TABLE 64.—*Consumer loans of insured commercial banks to individuals in the United States and the South, June 30, 1945, and June 30, 1955*

[In millions of dollars]

Area	June 30, 1945	June 30, 1955	Percentage increase 1945–55	Area	June 30, 1945	June 30, 1955	Percentage increase 1945–55
United States	$2,108	$16,333	675	Kentucky	$32	$211	559
South	303	2,494	723	Louisiana	19	175	821
Rest of United States	1,806	13,839	666	Mississippi	9	83	822
Alabama	20	182	810	North Carolina	49	326	565
Arkansas	13	92	608	South Carolina	7	95	1,257
Florida	13	313	2,308	Tennessee	47	344	632
Georgia	28	300	971	Virginia	66	374	467

Source: Federal Deposit Insurance Corporation; Reports on Assets and Liabilities.

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THE COST OF MONEY

The cost of borrowing money is high in much of the South. This is indicated by interest rates on bank loans and on municipal bonds, and by the discounts at which mortgages sell in secondary markets. The interest rates and lenders' desire for diversification encourage the movement of loan funds from banks and other lending institutions of other areas into the South. The broader question whether money costs too much or too little for sound development of productive enterprises and for consumer acquisition of durable goods, is not answerable from interest rate data alone. The interest rate is only one of the major factors determining the cost of borrowing money. A comparison of interest rates charged in two areas does not fully measure the cost of credit. The length of term of the loan, the promptness with which it is made available, and the extent to which the lender bears the cost of insurance and of processing the loan are important additional factors. The size of deposit which the borrower is required to hold affects the cost actually incurred on bank loans. Southern bankers are said to have become less exacting in recent years in their deposit requirements, and more liberal in allowing prepayment of loans, especially in dealing with farmers.

Data on bank earnings from interest on loans, in relation to average loans outstanding, are useful for measuring regional differences in rates of interest. Such information is available for all member banks of the Federal Reserve System, and for all insured commercial banks—member and nonmember.

Federal Reserve member banks in cities which the Federal Reserve System designates as "Reserve cities" include many of the largest banks in the South. They are the banks which would be expected to provide most of the bank loans for the urbanization and industrialization of the area.

The loans of Reserve city member banks, however, are less than one-third of the total for all banks in the South. A broader picture of bank interest earning rates is obtained from data for all Federal Reserve member banks. Many State banks are not included in this group; but the banks that are included made about 73 percent of all southern bank loans in 1955. Average interest earnings on loans of all member banks are higher than interest earnings on loans of Reserve city banks. Interest earnings rates of the Atlanta district banks are exceeded in 1 nonsouthern district, when comparison is made of all member banks, and are exceeded by 2 nonsouthern districts when only Reserve city member banks are compared. Interest earnings rates on loans of banks in the Richmond district are exceeded by rates in 3 nonsouthern districts when all member banks are compared and by 4 nonsouthern districts when comparison is made of Reserve city member banks. Banks in the St. Louis district earn interest at rates that are exceeded in 5 nonsouthern districts when all member banks are compared; and their rates are exceeded in 8 nonsouthern districts when Reserve city banks are compared.

TABLE 65.—*Rates of earnings on loans, Federal Reserve member banks, Reserve cities, selected years, 1948–55*

[Percent]

District	1948	1950	1952	1954	1955
Boston	3.0	3.36	3.79	4.08	4.06
New York	3.7	3.93	4.53	4.83	4.93
Philadelphia	3.2	3.74	4.14	4.43	4.46
Cleveland	3.2	3.61	3.95	4.32	4.34
Richmond [1]	3.6	3.94	4.25	4.73	4.57
Atlanta [2]	3.8	4.29	4.65	4.88	4.83
Chicago	3.8	4.24	4.49	4.70	4.72
St. Louis [3]	3.2	3.58	4.05	4.20	4.19
Minneapolis	3.3	3.85	4.39	4.66	4.63
Kansas City	3.6	3.85	4.31	4.41	4.54
Dallas	3.6	3.96	4.28	4.43	4.55
San Francisco	4.5	5.00	5.13	5.32	5.27

[1] Includes following cities in the South: Richmond and Charlotte.
[2] Includes Atlanta, Birmingham, Nashville, New Orleans, and Jacksonville.
[3] Includes the following cities in the South: Little Rock, Memphis, and Louisville.

Source: Board of Governors of the Federal Reserve System; Federal Reserve Bulletin, May 1949–55.

TABLE 66.—*Rates of earnings on loans, Federal Reserve member banks, by Federal Reserve district, selected years 1948–55*

[Percent]

District	1948	1950	1952	1954	1955
Boston	3.8	4.15	4.50	4.73	4.74
New York	2.9	3.20	3.74	4.01	4.11
Philadelphia	4.1	4.45	4.70	4.89	4.94
Cleveland	3.9	4.20	4.42	4.70	4.75
Richmond	4.4	4.67	4.94	5.21	5.22
Atlanta	4.4	4.82	5.18	5.32	5.37
Chicago	3.7	4.06	4.40	4.59	4.65
St. Louis	3.8	4.24	4.63	4.75	4.84
Minneapolis	4.3	4.70	5.09	5.23	5.26
Kansas City	4.5	4.71	5.03	5.11	5.25
Dallas	4.6	4.86	5.14	5.03	5.08
San Francisco	4.7	5.09	5.25	5.42	5.40

Source: Board of Governors of the Federal Reserve System; Federal Reserve Bulletin, May 1949–55.

TABLE 67.—*Average rates of earnings on loans and discounts, all insured commercial banks in the South, 1954*

Rate earned on loans, 1954 (percent)	All banks	Nonmember banks
6.6 to 6.79		Florida.
6.2 to 6.39		Alabama, Georgia, Virginia.
6.0 to 6.19		Louisiana, South Carolina, Tennessee.
5.8 to 5.99		
5.6 to 5.79	Alabama	Arkansas, Kentucky.
5.4 to 5.59	Florida, Georgia, South Carolina, Virginia.	North Carolina.
5.2 to 5.39	Arkansas, Mississippi, North Carolina, Tennessee.	Mississippi.
5.0 to 5.19	Kentucky, Louisiana	

Source: Federal Deposit Insurance Corporation.

Earnings rates on loans of nonmember banks are higher than those of member banks. All nonmember banks in the United States earned an average of 5.78 percent on loans in 1955, while State member banks earned 4.50 percent and national banks earned 4.87 percent. Nonmember banks play an important role in the banking structure

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of the Southern States. In Mississippi, for example, nonmember bank loans total about one-third more than loans of member banks. In North Carolina, the total of their loans is over two-thirds as much as the loan total for member banks. In Tennessee, nonmember bank loans are about one-third as large as the total of loans made by member banks.

The average interest rate earned on loans by all insured commercial banks in the South, including nonmember as well as member banks, is higher than the average for the United States. Within the South, as elsewhere, interest rates on loans vary among banks. Some banks charge approximately the legal maximum, while others commonly adjust their rates with the size and quality of the loan.

TABLE 68.—*Ratio of interest earned on loans to average loans outstanding of insured commercial banks in the South, selected non-Southern States and the United States, 1955*

Southern States:		Selected non-Southern States and United States:	
Louisiana	5. 16	Illinois	4. 07
Kentucky	5. 21	Wisconsin	4. 64
North Carolina	5. 34	Pennsylvania	4. 84
Arkansas	5. 36	Iowa	5. 01
Mississippi	5. 45	California	5. 04
Tennessee	5. 57	Minnesota	5. 06
Georgia	5. 58	Oregon	5. 38
Florida	5. 59	Indiana	5. 38
Virginia	5. 64	Michigan	5. 43
South Carolina	5. 74	United States	4. 78
Alabama	5. 85		

Rates differ among types of loan, and for loans to different borrowers. On business loans, for example, member banks in the Richmond district showed (on loans outstanding at the beginning of October 1955) average rates of interest ranging from a low of 3.85 percent on short-term loans to corporations, extended by banks with deposits over $250 million, to a high of 7.28 percent on long-term loans to unincorporated businesses, extended by banks with $2 million to $10 million of deposits.

Interest rates fluctuate from year to year. In the southern districts the year-to-year changes have been greatest in the Atlanta district followed by the Richmond and St. Louis districts. Not only are interest rates higher and more fluctuating in the Atlanta district, but the losses on the loans are greater than in the other southern districts. However, in a number of recent years, until 1953–54, losses on loans in the St. Louis district were similar to those in the Atlanta district. Losses on loans in the Richmond district have been much smaller. Federal Deposit Insurance Corporation appraisals of banks assets from 1942 to 1951 indicated that substandard loans were more common in the South than on the average for the whole Nation. Substandard assets in 1951 ranged from two-thirds of 1 percent to slightly over 1 percent among the States of the South, with a national average about one-third of 1 percent.

LIFE-INSURANCE COMPANIES

The life-insurance companies play an important role in the flow of funds between the South and the rest of the United States. This is indicated by the fact that branches of national companies with home offices in the mid-Atlantic and Northeastern States do more business

than local companies in the South. In the Atlanta Federal Reserve District, local companies do about 40 percent of the life-insurance business as measured by premium collections, and national companies write the balance. The assets of life-insurance companies domiciled in the South constitute a small part of all life-insurance assets; but their proportion is growing. In the period 1929–52, the assets of companies in the South Atlantic States grew from 2 to 3 percent of the national total; and their share of outstanding insurance increased from 3 to 5 percent. The ratio of insurance premiums to personal income is about the same in the South as in the rest of the country, but the concentration of low incomes in the area leads to purchase of small policies. The age distribution of the population accounts in part for the low total volume of insurance written.

The investment policies of local companies differ from those of national companies primarily in the greater relative importance of mortgage loans. Mortgage loans constitute 46 percent of the assets of southern companies compared with 31 percent for the entire industry. Local companies in the South and elsewhere tend to be restricted to local areas in mortgage lending because of the expense of credit investigation on widely scattered mortgage loans. Insurance company mortgage loans on urban residences are very important to the South; more of real-estate mortgages in this area than for the Nation come from insurance companies. Mortgages have grown to second rank among national companies' assets since the end of the war, and have grown more rapidly than any other asset. They increased to more than 4 times their former size from 1945 to 1955 and now total 3 times as much as Government securities.

As of January 1955, insurance companies held $304 million of farm mortgage debt in the South Atlantic and East South Central States, out of a total of $1,435 million farm mortgage debt in the South. The role that life-insurance companies play in the farm real-estate market varies among the several States of the South and generally is lower than in the United States as a whole. In 1955 the companies held between 41 percent of all farm mortgages in Arkansas and 7 percent in South Carolina. The comparable percentage in the other 9 States varied between these extremes.

Industrial bonds held by all insurance companies in 1955 were over 9 times as great as in 1945. Public-utility bond holdings almost tripled in the same period. The two together exceeded mortgages, and were more than one-third of all assets. Industrial stocks in 1955 were more than 3.6 times their 1945 level, but amounted to only 4 percent of assets. Local southern life insurance companies, according to the Atlanta Federal Reserve Bank, largely confine their investments to the purchase of public utility and railroad bonds and securities of large firms which are marketable. In addition, the bank stated:

> Even though results are still small, a few southern companies are making strides in filling the long-term capital needs of small, local industrial firms and are developing permanent lending programs in this area. In general as district life-insurance firms grow and pass from closed to public ownership, a greater specialization and emphasis on the investment aspects of the business will undoubtedly produce more interest in capital lending to the small, local industrial firms. District life-insurance companies should find im-

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portant advantages in building up their business with these industrial borrowers to whom they can give the close attention that capital credits usually involve.[13]

The following observations are pertinent to the growth of life-insurance companies in the South:

> The past record of the better-operating life-insurance companies, especially through the South, has been one of almost phenomenal accomplishment. Several of the companies show, over a period of 12 years (1940–52), increase in value of as high as 40-for–1 * * *. During the past 2 years, several of the companies have more than doubled in market value, and yet the stocks are selling in line with stocks of some of the national companies on the ratios of percentage of book value to market value and times-earnings ratio. The record of these companies as a whole proves to the investor that they have indeed been excellent growth investments * * *. In looking over the records of the various companies in the South, we find that in the majority of cases these companies continue to pay approximately the same dividend rate in cash after a stock dividend payment as they did before. Therefore, over a period of a few years, your cash yield on your original investment has advanced to a point where it is actually in line with those companies which pay 5 to 7 percent in cash * * * the record of one company shows at the end of a 12-year period an average cash yield of 11.4 percent on the original investment. * * *[14]

National insurance companies increased their investments in the South Atlantic States by $4.5 billion from 1939 to 1952, and $1.2 billion of that amount went into industrial bonds and stocks of companies in the region.

> Judging from past performance, the leading life companies of this country have no hesitation in participating in the financing of the industrial expansion of the South Atlantic region.[15]

Industrial financing constitutes one-quarter of the national life-insurance companies' investments in the South, and over one-half in the country as a whole.

The investments made by life-insurance companies apparently depend on the magnitude of the loans desired and the size of the companies requesting loans, as well as on current interest rates on different investments. Policy as to size of loan affects the geographic distribution of insurance company lending; a concentration of farm mortgage lending in the Corn Belt States is consistent with insurance company preference for loans of substantial size. Investment in Corn Belt farms is several times as large per farm as investment in southern farms. Costs and interest rates are said to be the most important factors governing investment.

> Although some local insurance companies tend to identify themselves with a region and seek loans in States where they

[13] Atlanta Federal Reserve Bank Monthly Review, September 1955.
[14] Investment Dealers Digest, February 11, 1954.
[15] Industrial and Engineering Chemistry, November 1955.

> sell insurance, most companies do not deliberately allocate investment funds according to geographical boundaries, choosing instead to invest in the highest yielding asset of the moment, regardless of location. Some limit to this principle arises in the case of mortgage investments where elaborate systems of loan correspondents are necessary to originate and service loans and consequently where sharp changes in allocations cannot be made easily. Even here, however, changes do take place, as quotas for correspondents are revised between budget periods. On the other hand, most other investments by both local and national companies are made almost entirely on the basis of relative attractiveness to the lender.[16]

There are some modifications of these principles. According to a spokesman for the New York Life Insurance Co., the representatives of his organization—

> * * * try very sincerely where we can to put out funds in the area from which they are derived. In other words, if we could get the best price in California, we wouldn't put all of our mortgage money in California.[17]

The result of all these considerations has been favorable to the South from the standpoint of volume of investment funds. For the States covered by the Atlanta Federal Reserve District:

> * * * the figures show that the out-of-district States life-insurance companies put more dollars back in district States than they take out. They paid death benefits and invested in mortgages and utility and municipal bonds in the 2-year period in the amount of $1.2 billion in district States, whereas they received only about $1 billion in premiums from district States.[18]

Life insurance company loans in the South are largely mortgage loans. Most of the mortgages bought are FHA insured or VA guaranteed.

The insurance company purchases of insured and guaranteed mortgages were reduced in 1952 after those mortgages had begun to sell at a discount in the secondary market. They required conventional mortgages, at higher rates, to be packaged with insured and guaranteed mortgages. Government securities and corporation bond yields had become more attractive. The insurance companies could net as much from corporation bonds as they could gross from FHA and VA mortgages. Lower bond yields brought a margin of at least 1.25–1.50 percent between Government bonds and FHA and VA rates, from the latter part of 1953 until late 1955, and the insurance companies came back into the insured and guaranteed mortgage market.

In the secondary markets, in which insurance companies both buy and sell, insured and guaranteed mortgages in the South were selling at discounts in 1953, 1954, and 1955. FNMA purchases in secondary markets were at the smallest discount in North Carolina, Virginia, Tennessee, and Georgia. Purchase prices were the same in those

[16] Atlanta Federal Reserve Bank Monthly Review, September 1955.
[17] United States Senate, Committee on Banking and Currency; Mortgage Market Hearings, 1955, p. 97.
[18] Atlanta Federal Reserve Bank Monthly Review, September 1955.

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States as in such markets as the District of Columbia, New Hampshire, Vermont, Wisconsin, and Indiana. The prices for Louisiana were on the same schedule as Montana, Nevada, North Dakota, and West Virginia. The prices for Alabama, Arkansas, Florida, Kentucky, Mississippi, and South Carolina were on the same schedule as Maine, Michigan, Minnesota, Utah, and Washington. FHA appraisal of the market was that discounts in the South were greater than in other regions in late 1955, except in the Southwest and West. VA appraisal of the secondary market was that discounts were less in the East South Central and South Atlantic States than in the East North Central and Pacific States.

SAVINGS AND LOAN ASSOCIATIONS

Savings and loan associations are active in the South. Their savings capital is greater than the time deposits of banks in Florida, Kentucky, and South Carolina, and of about the same size as time deposits in Georgia and North Carolina. Their total assets vary from State to State and range between 10 to 35 percent of the total assets of commercial banks in the various States.

About two-thirds of the 6,000 savings and loan associations in the United States are members of the Federal home-loan bank system, and in 1954 they held over 95 percent of the $32 billion in assets held by all the associations. Insured associations numbered 3,433, and held $28.4 billion assets at the end of 1954. The members of the system can borrow on terms up to 10 years from the home-loan banks. Liquidity to meet withdrawals thus is available. The insurance of associations by the Federal Savings and Loan Insurance Corporation is not designed to provide liquidity but to insure the safety of the deposits in the event of failure of the association. Proportionately more of the associations are federally chartered and insured in the South than in the rest of the country. Their assets of $4.3 billion were in 1954 just over 14 percent of the national total.

The savings made in the associations in 1954 and 1955 apparently remained longer in southern associations and less were withdrawn in the South than on the average for the country. The net inflow—new savings capital less withdrawals—of associations was higher in the South than in the rest of the country. One-third of the net inflow in insured savings associations in the South was accumulated during recent years by associations in Florida.

TABLE 69.—*Net inflow of savings,[1] federally insured savings and loan associations, United States and the South, 1954 and 1955*

Area	Net inflow of savings (millions of dollars)		Net inflow of savings as percent of new savings	
	1954	1955	1954	1955
United States	4,151.8	4,549.3	40.0	36.3
South	697.8	754.5	44.2	39.2
Rest of United States	3,454.0	3,794.8	39.3	35.8
Alabama	29.7	34.1	50.1	45.0
Arkansas	17.0	21.1	50.3	49.4
Florida	233.6	263.5	41.0	36.5
Georgia	69.9	71.5	43.5	38.1
Kentucky	48.2	50.7	49.8	44.3
Louisiana	53.8	60.6	46.6	43.5
Mississippi	19.7	25.2	53.9	52.9
North Carolina	75.6	86.1	40.6	38.0
South Carolina	44.5	48.1	45.9	41.5
Tennessee	55.6	50.6	47.2	37.6
Virginia	50.2	43.0	47.1	36.6

[1] New savings capital less withdrawals.

Source: U. S. Home Loan Bank Board.

The savings are used for construction and purchase of new single-family homes, and for modernization, refinancing and other purposes. The associations take a first lien on new homes; the lien may be up to 80 percent of the appraised value, and amount to as much as $20,000, for a period of 20 years. They also make straight loans for not over 5 years, and at a lower percentage of appraisal. Multifamily and business property also may be security for loans, in an amount not to exceed 15 percent of capital.

Construction loans accounted for over one-third of loans made in 1954 by all the insured associations in the Southern States. Home purchase loans accounted for 31 percent, and other loans accounted for 34 percent of their total loans. The greatest variation among the States occurs in the proportion of construction and home purchase loans. Construction loans varied between one-fifth of the total in Kentucky and 46 percent in South Carolina, while home purchase loans accounted for one-fifth of the loans in Florida and for over one-half of the total in Kentucky.

Savings and loan associations in the South make conventional loans—i. e., loans without insurance or guaranty by an agency of the Federal Government—to a larger extent than savings associations elsewhere. Generally over 80 percent of loans in the South were conventional loans—the highest percentage was 88.6 in Alabama, a State where interest rates are generally high. The lowest percentage of conventional loans and highest VA and FHA loans were in Arkansas, Mississippi, and Tennessee.

The average interest earned on mortgages in 1954 ranged from 4.5 to more than 5 percent. These figures are based on year-end holdings of mortgages and understate the interest charge because of the growth of holdings during the year. The rate of dividends on capital was generally around 3 percent.

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AGRICULTURAL COOPERATIVE AND GOVERNMENTAL LENDING AGENCIES

Farm credit is supplied by cooperative lenders under supervision of the Farm Credit Administration. It is supplied also by the Farmers' Home Administration, using Federal Government funds. The cooperative lenders are competitive with banks and insurance companies. The Farmers' Home Administration is authorized to supply credit to farmers who cannot meet the standards set by profit institutions and cooperative lenders. Loans are made directly, or bank loans are guarar teed by this agency.

Studies of the operations of these lenders emphasize the following points:

1. Loans to farmers for adjustment of production methods and types of farming to fit current technological, cost, and price developments have contributed to increasing income and net worth.
2. A substantial number of loan requests are rejected because the farmer does not have enough equity.
3. A substantial number of loan requests are rejected, and others are never formally made, because the Farmers' Home Administration has not enough money to meet loan demands.
4. Some loan needs are not met because they require money for a length of term exceeding the lender's authorized maximum.
5. Loan requests are far less in number and amount than would be presumptively indicated by studies showing the number and condition of low-income farmers.
6. Only a fraction of farmers have made "adjustments" with the aid of credit extended for such purpose.
7. The principal obstacles to adjustment are not thought to be credit problems, but other problems of prices and of costs.

Effect of credit on farm income

A 1952 study of the experience of 200 farm owners in the southern Piedmont found that cotton farmers who changed their type of farming to livestock, or a combination of cotton and livestock, increased their net worth between 1946 and 1952 by $3,100 to $8,500 more than if they had continued growing only cotton.[19]

Another Farm Credit Administration study investigated the experience of 56 larger farms, 31 of which were in Georgia and Kentucky. The average improvement expenditure was $19,200 per farm and the improvements were made over a period of 7 years. The net farm income at the beginning of the 7-year adjustment program averaged $3,087 a year. After 7 years the average improvement in income resulting from the program amounted to $2,546 a year per farm. This was equivalent to an annual return of 13 percent upon the investments for improvement of the farms.[20]

A 1955 Farmers' Home Administration study indicated that farmers in the South—and the rest of the Nation—who received loans generally seemed to show a level of income and efficiency of operation substantially above that considered typical of nonborrowing farmers in the area.

[19] Farm Credit Administration; Financing Farm Adjustments in the Southern Piedmont, Bulletin CR-7, August 1955.
[20] Farm Credit Administration; Farmers' Needs for Intermediate-Term Credit, Bulletin CR-6, October 1954.

Information is available on the changes in average cash receipts and non-real-estate capital of farmers in the South who used loans supplied by the Farmers' Home Administration. Information is also available on such changes in certain sections of the South containing both farmers who did and those who did not receive credit. A comparison of these two groups shows noticeable differences in their cash receipts as well as the value of their non-real-estate capital.

Between 1948 and 1954 the average cash receipts of tobacco-cotton farms on the coastal plains of North Carolina increased by 19 percent and their non-real-estate capital—consisting of machinery and equipment, livestock and crops for sale, feed and seed—by 12 percent. The cash receipts of the tobacco-livestock farms in Kentucky increased by 9 percent and the value of their non-real-estate capital by 17 percent. The cotton farmers in the southern Piedmont fared worse; their cash receipts declined between 1948 and 1954 by more than a third and the value of their non-real-estate capital remained virtually unchanged.

This experience can be compared with the results obtained by the Farmers' Home Administration on 818 farms in the South which secured loans from the FHA in 1949 and continued operation in 1954. The average loan received by these farms in 1949 under the farm ownership program was $5,959. Between 1948—the year prior to securing the loan—and 1954 the cash receipts of the 818 farm operators increased by 64 percent and their non-real-estate capital more than doubled.

TABLE 70.—*Cash receipts and non-real-estate capital of tobacco-cotton farms, North Carolina, cotton farms, southern Piedmont, tobacco-livestock farms, Kentucky, and farms which received FHA farm-ownership credit in the South, 1948 and 1954*

Location and type of farm	Cash receipts		Non-real-estate capital	
	1954	1954 percent over 1948	1954	1954 percent over 1948
Tobacco-cotton farms, coastal plains, North Carolina	$7,307	19	$3,760	12
Cotton farms, southern Piedmont	2,040	−35	2,410	1
Tobacco-livestock farms, Kentucky bluegrass	5,505	9	4,440	17
818 farms in South receiving FHA farm-ownership credit	3,451	64	4,058	108

Source: U. S. Department of Agriculture, Agricultural Research Service and Farmers' Home Administration.

FHA borrowers in the South added more to their machinery and other non-real-estate capital than FHA borrowers elsewhere. This was to be expected in view of the less-mechanized operations that have characterized Southern farms. The cash income and net worth of FHA's 1948 borrowers had increased about the same percent by 1954 in the South and in the United States as a whole. Borrowers' experience varied considerably among the Southern States.

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TABLE 71.—*Changes made by farm-ownership borrowers in cash farm income, non-real-estate capital, and net worth, United States and the South, 1948 and 1954*

Area	Average loan, 1949	1954			Percent change 1954 over 1948		
		Cash farm income	Non-real-estate capital	Net worth	Cash farm income	Non-real-estate capital	Net worth
United States	$7,430	$4,786	$6,078	$8,654	62.6	79.9	63.5
South	5,959	3,451	4,058	6,146	63.6	107.6	65.6
Alabama	5,963	2,067	2,843	4,809	81.1	75.3	52.1
Arkansas	4,865	3,121	4,423	5,356	27.5	93.3	21.3
Florida	5,717	7,659	4,682	6,704	283.0	188.3	109.0
Georgia	5,199	3,506	3,476	5,290	49.0	73.5	43.3
Kentucky	8,722	4,098	6,136	8,500	119.3	171.0	122.7
Louisiana	6,009	4,017	5,187	7,934	45.1	90.1	64.4
Mississippi	6,632	3,339	4,493	6,156	47.2	142.1	75.0
North Carolina	5,647	3,865	3,936	7,060	93.3	122.6	92.8
South Carolina	6,053	2,971	3,360	5,393	75.0	163.9	105.1
Tennessee	7,107	2,749	4,288	6,466	67.0	85.8	54.2
Virginia	7,471	3,343	5,148	7,576	60.3	135.2	101.0

Source: U. S. Department of Agriculture, Farmers' Home Administration.

Among 2,632 southern farm operators who repaid their adjustment loans to the FHA during fiscal 1954, gains from FHA loans were less than those of farm operators outside the South who borrowed from Farmers' Home Administration. The average loan in the South was $1,919. During the loan period the average cash income, non-real-estate capital, and net worth of these operators rose by more than a third.

TABLE 72.—*Changes made by operating adjustment loan borrowers in cash farm income, non-real-estate capital and net worth, United States and the South, 1948 and 1954*

Area	Average loan 1949	1954			Percent change 1954 over 1948		
		Cash farm income	Non-real-estate capital	Net worth	Cash farm income	Non-real-estate capital	Net worth
United States	$2,842	$4,251	$5,187	$8,375	60.1	81.4	70.7
South	1,919	3,130	3,348	6,599	37.3	38.6	39.1
Alabama	1,785	2,498	2,540	5,277	49.5	28.2	32.2
Arkansas	2,424	3,100	3,211	6,297	49.3	33.1	37.4
Florida	2,538	4,446	4,955	10,709	17.9	33.8	36.4
Georgia	2,719	3,822	3,955	7,212	40.2	53.6	42.4
Kentucky	1,714	2,738	3,988	7,555	65.0	83.5	67.1
Louisiana	2,363	4,279	4,226	7,268	40.9	26.8	31.6
Mississippi	2,208	2,752	3,299	6,135	39.8	47.7	47.1
North Carolina	1,908	3,037	2,948	6,172	22.0	36.3	37.4
South Carolina	1,094	3,362	3,037	6,584	34.7	31.9	27.7
Tennessee	1,524	2,328	3,520	7,390	60.3	55.3	48.0
Virginia	1,578	3,073	3,555	6,721	13.1	41.3	42.1

Source: U. S. Department of Agriculture, Farmers' Home Administration.

Rejection of loan applications

A study of the lending practices of the production credit associations in the 10 Southern States reported by the Farm Credit Administration, showed that in 1953 production credit associations approved an average of 77 percent of the applications for loans to finance farm adjustments. The basis of their rejections in order of importance were ranked as follows:

1. Applicants had inadequate basis for credit since they lacked knowledge and experience on proposed adjustments;
2. Proposed use of loan was too risky for production credit association;
3. Applicants requested long-term repayment of loan;
4. Production credit association was not able to lend amounts as large as desired by applicant.

The loans extended by the Federal land banks are for longer periods than those of the production credit associations and consequently the bank policies are more conservative and result in relatively more rejections. In 1953, according to the above study, less than half of the applicants in the 10 States received favorable consideration. Rejections were for reasons similar to those given by the production credit associations.

There was considerable variation among the States in the percentage of loans that they approved. The Kentucky production credit associations approved a higher percentage of requests than associations in other States, but the Federal land banks in the same State had the lowest record of approvals.

TABLE 73.—*Percentage of farmers asking for production credit association and Federal land bank loans in 1953 to finance farming shifts and adjustments, who received loans for these purposes*

State	Production credit association	Federal land banks
Average, 10 States in the South	77	47
Virginia	69	41
North Carolina	87	56
South Carolina	80	45
Georgia	72	54
Kentucky	89	33
Tennessee	88	43
Alabama	69	44
Mississippi	73	52
Louisiana	76	66
Arkansas	71	38

Source: Farm Credit Administration, Survey of Credit for Farm Adjustment in the South, preliminary report, November 1955.

Need for longer term credit

Some farms in the South are at present better suited to afforestation than to continued use for row cropping or low-grade pasture. The need for credit to carry out forestry projects has been recognized by the Congress, and national banks have been authorized to extend credit for such purposes. However, farmers are reported to have done little borrowing as yet. An agricultural economist in Arkansas

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has said that the Federal land banks would be a logical source for forestry credit, but that the land banks and their supervisory agency, the Farm Credit Administration, have not developed a program for such farm adjustments.

Other economists have remarked that the most pressing need in credit policies is for intermediate term credit to enable farmers to improve their methods or systems of farming. Repayment plans need to be made more compatible with agricultural development ventures. Recognizing this need, the lenders supervised by the Farm Credit Administration have begun to experiment with longer term credit, and are considering authorizing an increase in the maximum term of their loans.

The Farmers' Home Administration has pointed out that the number of loan applications received from the southern area is far less than the number of farmers who can profitably make major adjustments. In a letter to the Legislative Reference Service of the Library of Congress the Administration explained that many farmers feel their chance of receiving a loan is remote due to the shortage of funds of the agency. Consequently such farmers do not apply for loans. Lending experience in the South gives evidence of the lack of general understanding among many farmers and farm leaders as to the improved income and efficiency which can result from an adjustment of farm operations. Because of this lack of awareness, many farmers continue to operate with inadequate capital and with outmoded methods, with little realization of the improved efficiency that might be attained.

The percentage of all farmers who have made farming adjustments with credit obtained from the Farmers' Home Administration is small. The percentage who have made adjustments with credit from any other source also is not very high. Estimates collected by the Farm Credit Administration in 1955 indicated that about 30 percent of southern farmers had used credit for such purposes.

Credit in relation to other problems of farm adjustment

Most of the studies of gains in farm income and total income of the community from use of credit also point out that the availability of credit is not a cure-all for the farmers' problems. Credit is only one of a number of factors influencing the success of farm improvement programs. Managerial ability may be a more important factor than credit.

A Farm Credit Administration study in 1953 found that only 8 percent of 174 farmers and farm leaders thought that nonavailability of favorable credit terms was a factor which retarded farmers in their communities from starting improvement programs. All the other participants in this study mentioned other influences which had nothing to do with credit as the factors which prevented initiating such programs. Two-thirds of the respondents replied in the negative to the question whether inadequate credit had slowed down farm improvement in their respective communities. When asked specifically whether (*a*) nonavailability of credit or (*b*) low interest and management capabilities of farmers was a more important factor in limiting improvements, 15 percent checked the former and 85 percent the latter.

The Atlanta Federal Reserve Bank Monthly Review, in considering loan programs for agriculture, concluded in 1953:

> In agriculture, lack of credit is probably one of the least important obstacles to expansion and development * * * potential opportunities for using credit profitably are very great. A large share of district farms, however, are too small to take advantage of these opportunities. Many farmers have enough land but lack the necessary management experience or are still in the process of acquiring it.[21]

The Farm Credit Administration published in November 1955 a survey of credit for farm adjustment in the South. The study was based on replies of 139 production credit associations (out of a total of 149) and 160 national farm loan associations (out of a total of 196) in 10 Southern States. The study covered all the States with which the present report is concerned, except Florida.

The participants in this study believed that noncredit factors retarded 3 out of 4 farmers from making desirable shifts and adjustments. and that one-quarter of the farmers failed to make desired adjustments because of lack of credit.

A recent expression of opinion about the adequacy of farm credit in Kentucky emphasizes that the credit problem is a problem of the small farmer. It was remarked that improving the farm income level requires a reorganization and consolidation of small farms. It was said also that progress toward improving efficiency in farms and farm income will be slow unless better credit institutions can be drawn upon. Changes are needed more in credit practices and institutions serving the small low-income farm than in areas where the farms are larger, more efficient and profitable. It was stated that a major change is needed to retire much of the poorer farm land and put it into forests. None of the lending agencies has developed adequate policies to accomplish this adjustment.

Estimating the adequacy of credit

Estimates of the adequacy of farm credit may be based on the experience of borrowers and on measurements of the gap between the existing volume of credit and the volume required to raise farm income to a substantially higher level. Earlier pages have referred to some of the studies of farmers' experience with cooperative lenders and Government agencies. An estimate of the credit gap in the State of North Carolina indicates the second approach to the adequacy of credit.

It is estimated that a minimum adequate level of farm income in North Carolina would require a tripling of the value of the average assets of farms, from $7,500 to about $20,000, through consolidation of farms and mechanization of operations. However, if credit were expanded in considerable volume and over a short period of time, the displacement of farmers and farm labor might exceed the rate at which nonfarm employment could absorb the displaced nonfarm farm population.

The estimate of credit needs in North Carolina assumed a reduction of the number of farms from 289,000 in 1950 to 200,000 in 1975, and

[21] Atlanta Federal Reserve District Monthly Review, May 1953, pp. 8–10.

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an increase in the average value per farm to $20,000. Total farm investment of $4 billion in North Carolina in 1975 is indicated—about double that of 1950. Additional investment of more than $100 million per year would be required. The actual average annual increase in total agricultural loans in North Carolina between 1950 and 1955 was less than one-quarter of this amount.

If more credit to farmers is to result in improved incomes, it must be accompanied by nonfarm development, additional processing and distributing facilities for farm products, and an effective system of borrower education.

Rural electrification loans in the South

As discussed in preceding pages, governmental lending institutions supplement private lending to farmers. Of the governmental agencies active in making loans of various kinds in the South, the Rural Electrification Administration is particularly significant for its contribution to farm production and the improvement of farm living conditions. It lends to organizations, mainly cooperatives, to provide central station electric service to those who live in rural areas. Loans are made for generators, distribution facilities, and transmission lines; for furnishing and improving telephone service; and for relending to customers for wiring and installation of appliances. Southern farmers have improved their living and working conditions with electric lights, electric water supply and modern plumbing, electric milkers, refrigerators, telephones, and many other modern appliances. Much of this advancement has been dependent upon the power made available with loans from REA. Since its inception in 1935 through August 1956 the REA has advanced a total of $828 million in loans for electrification in the 11 Southern States. The South received almost a third of the funds advanced throughout the United States. Electric service has been provided to over 2 million southern customers as a result of this program. The business created by REA-financed construction has been estimated by REA at $3.3 billion.

TABLE 74.—*Rural Electrification Administration electrification program, United States and the South, as of August 31, 1956*

Area	Active borrowers	Cumulative loans approved[1]	Cumulative funds advanced to borrowers[1]	Miles of line in operation	Consumers served	Estimate of business created by REA-financed construction[1]
United States	1,078	$3,291,472,174	$2,788,183,883	1,439,197	4,742,747	
South	303	971,763,596	827,745,373	439,719	2,025,083	$3,269,075,408
Alabama	26	79,933,725	68,554,701	36,915	170,156	271,859,232
Arkansas	21	103,525,557	81,918,013	41,095	158,248	324,879,368
Florida	17	49,003,201	42,317,668	20,588	77,577	166,203,240
Georgia	43	108,134,024	91,664,755	63,900	274,596	362,517,604
Kentucky	28	140,750,396	118,747,367	51,736	237,020	466,517,556
Louisiana	19	52,769,909	47,613,011	25,048	124,892	186,272,420
Mississippi	27	90,689,738	78,923,008	52,022	233,967	309,487,352
North Carolina	38	103,274,343	88,688,731	42,663	198,648	350,759,380
South Carolina	28	72,338,210	63,036,443	34,487	144,014	249,643,824
Tennessee	33	105,974,414	90,005,335	44,485	293,947	358,676,740
Virginia	21	65,370,079	56,276,341	26,780	112,018	222,258,692

[1] Cumulative from 1935 through Aug. 31, 1956.

Source: Rural Electrification Administration.

TABLE 75.—*Rural Electrification Administration telephone program, United States and the South, as of August 31, 1956*

Area	Active borrowers	Cumulative loans approved[1]	Cumulative funds advanced to borrowers[1]	Present pole miles of line	Present number of subscribers
United States	480	$321,877,542	$164,758,378	21,177	367,165
South	144	109,138,000	60,606,982	5,522	90,372
Alabama	12	10,479,000	6,481,165	650	10,561
Arkansas	5	5,022,000	1,762,687	785	9,377
Florida	7	6,830,000	3,085,748	430	5,035
Georgia	24	13,354,000	6,246,721	1,126	14,227
Kentucky	15	17,593,000	8,902,769	618	15,027
Louisiana	17	9,767,000	6,358,875	229	6,941
Mississippi	5	2,474,000	1,995,956	119	1,439
North Carolina	17	11,342,000	6,266,898	346	6,777
South Carolina	14	10,611,000	6,467,459	551	6,158
Tennessee	19	17,480,000	10,819,365	369	12,101
Virginia	9	4,186,000	2,219,339	299	2,729

[1] Cumulative through from Feb. 24, 1950, Aug. 31, 1956.

Source: Rural Electrification Administration.

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APPENDIX

TABLE 1.—*Employment: Distribution by industry, United States and the South, 1950*

[Thousands]

Geographic area	Total employed	Agriculture	Forestry and fisheries	Nonagriculture, total employed	Mining	Construction	Manufacturing [1]	Durable goods industries	Nondurable goods industries	Transportation, communication, and public utilities	Wholesale and retail trade	Finance, insurance, and real estate	Services	Public administration	Industries not reported
United States	56,239	6,885	120	48,395	929	3,440	14,576	7,757	6,697	4,368	10,548	1,916	10,129	2,489	840
South	10,964	2,530	53	8,205	189	699	2,173	817	1,344	690	1,800	244	1,982	428	177
Rest of United States	45,275	4,355	67	40,190	740	2,741	12,403	6,940	5,353	3,678	8,748	1,672	8,147	2,061	663
Alabama	1,031	251	3	761	27	55	225	120	104	59	153	21	183	38	16
Arkansas	616	215	2	387	7	35	85	51	34	35	98	11	99	17	12
Florida	1,010	123	11	859	5	91	108	45	62	79	240	38	246	52	16
Georgia	1,255	266	11	958	5	72	288	99	187	76	202	30	237	48	19
Kentucky	955	246	1	708	70	54	151	74	74	73	148	20	148	29	17
Louisiana	876	152	9	701	24	65	132	49	83	76	170	22	179	33	13
Mississippi	717	302	3	401	4	36	90	48	41	31	96	9	117	18	11
North Carolina	1,463	364	4	1,075	3	86	409	108	301	65	209	24	241	38	23
South Carolina	755	197	1	547	1	42	211	44	166	30	102	13	129	19	11
Tennessee	1,136	247	1	865	14	80	239	89	149	76	193	26	200	37	21
Virginia	1,150	167	7	958	29	83	235	90	144	90	189	30	203	99	18

[1] Includes also nonspecified manufacturing industries not classified as either durable or nondurable goods industries.

Source: U. S. Bureau of the Census; 1950 Census of Population: Vol. II, Characteristics of the Population, pt. 1, United States Summary, table 55; pt. 2 of the respective States; General Characteristics, table 31 in each volume.

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TABLE 2.—*Employment: Percent distribution by industry, United States and the South, 1950*

Geographic area	Total employed	Agriculture	Forestry and fisheries	Nonagriculture, total employment	Mining	Construction	Manufacturing	Durable goods industries	Nondurable goods industries	Transportation, communication, and public utilities	Wholesale and retail trade	Finance, insurance, and real estate	Services	Public administration	Industries not reported
United States	100.0	12.2	0.2	86.1	1.7	6.1	25.9	13.8	11.9	7.8	18.8	3.4	18.0	4.4	1.5
South	100.0	23.1	.5	74.8	1.7	6.4	19.8	7.4	12.3	6.3	16.4	2.2	18.1	3.9	1.6
Rest of United States	100.0	9.6	.1	88.8	1.6	6.1	27.4	15.3	11.8	8.1	19.3	3.7	18.0	4.6	1.5
Alabama	100.0	24.3	.3	73.8	2.7	5.3	21.8	11.6	10.1	5.7	14.9	2.1	17.7	3.7	1.5
Arkansas	100.0	34.9	.4	62.8	1.1	5.7	13.8	8.2	5.5	5.8	15.8	1.7	16.1	2.7	1.9
Florida	100.0	12.2	1.1	85.0	.5	9.0	10.7	4.5	6.2	7.8	23.8	3.8	24.4	5.1	1.6
Georgia	100.0	21.2	.9	76.3	.4	5.7	23.0	7.9	14.9	6.1	16.1	2.4	11.0	3.9	1.5
Kentucky	100.0	25.8	.1	72.6	7.3	5.7	15.8	7.8	7.8	7.6	15.5	2.1	15.5	3.1	1.7
Louisiana	100.0	17.4	1.0	80.0	2.8	7.4	15.1	5.6	9.4	8.7	19.4	2.5	20.4	3.8	1.5
Mississippi	100.0	42.1	.4	55.9	.5	5.1	12.6	6.7	5.8	4.3	13.3	1.3	16.4	2.5	1.5
North Carolina	100.0	24.9	.3	73.5	.2	5.9	28.0	7.4	20.5	4.4	14.3	1.7	16.5	2.6	1.5
South Carolina	100.0	26.1	.2	72.5	.2	5.6	27.9	5.8	22.0	3.9	13.5	1.8	17.1	2.5	1.4
Tennessee	100.0	21.7	.1	76.1	1.3	7.0	21.1	7.9	13.1	6.7	17.0	2.3	17.6	3.3	1.8
Virginia	100.0	14.5	.6	83.3	2.5	7.2	20.5	7.8	12.5	7.8	16.4	2.6	17.7	8.6	1.6

Source: U. S. Bureau of the Census; 1950 Census of Population: Vol. II, Characteristics of the Population, pt. 1, United States Summary, table 55; pt. 2 of the respective States, General Characteristics, table 31 in each volume.

TABLE 3.—*Employment: Distribution in nonagricultural establishments, United States and the South, 1939 and 1955*

[Thousands]

Geographic area	Total		Mining		Contract construction		Manufacturing		Transportation and public utilities		Trade		Finance		Service		Government	
	1939	1955	1939	1955	1939	1955	1939	1955	1939	1955	1939	1955	1939	1955	1939	1955	1939	1955
United States	30, 287	49, 950	845	770	1, 150	2, 780	10, 078	16, 557	2, 912	4, 056	6, 612	10, 803	1, 364	2, 115	3, 339	5, 854	3, 987	6, 915
South	4, 372	7, 838	147	143	218	483	1, 492	2, 429	418	616	876	1, 786	110	283	454	824	662	1, 277
Rest of United States	25, 915	42, 112	693	627	932	2, 297	8, 586	14, 128	2, 494	3, 440	5, 736	9, 017	1, 254	1, 832	2, 885	5, 030	3, 325	5, 638
Alabama	398	684	26	15	18	33	142	234	37	48	69	141	9	24	36	62	61	127
Arkansas	195	315	7	6	9	16	47	85	23	29	45	75	4	10	20	35	41	59
Florida	385	933	3	7	27	91	70	136	50	80	112	279	15	47	51	139	58	155
Georgia	512	928	4	5	27	51	189	331	46	71	107	203	15	35	58	89	67	144
Kentucky	377	601	55	37	19	35	86	165	43	55	73	129	10	19	32	65	60	97
Louisiana	393	705	14	40	20	50	100	149	51	82	87	167	10	25	46	78	66	115
Mississippi	201	353	1	3	14	17	59	104	19	24	34	85	3	10	21	37	49	72
North Carolina	612	1, 037	2	4	25	51	321	457	32	60	95	207	14	31	53	92	69	135
South Carolina	302	518	2	1	14	29	145	228	18	25	50	101	3	14	29	40	42	80
Tennessee	463	846	13	9	17	48	162	291	40	58	100	193	12	28	53	92	67	127
Virginia	533	918	20	16	28	62	171	249	59	84	104	206	15	40	55	95	82	166

Sources: 1939 figures: National Industrial Conference Board. The Economic Almanac, 1953–54, pp. 418–419, 430–431. 1955 figures: U. S. Department of Labor, Bureau of Labor Statistics; Employment and Earnings, Annual Supplement, June 1956, pp. XII, 64–72.

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TABLE 4.—*Employment: 1955 as percent of 1939, in nonagricultural establishments, United States and the South*

Geographic area	Total	Mining	Contract construction	Manufacturing	Transportation and Public Utilities	Trade	Finance	Service	Government
United States	165	91	242	164	139	163	155	175	173
South	179	97	222	163	147	204	257	181	193
Rest of United States	163	90	246	165	138	157	146	174	170
Alabama	172	58	183	165	130	204	267	172	208
Arkansas	162	86	178	181	126	167	250	175	144
Florida	242	233	337	194	160	249	513	273	267
Georgia	181	125	189	175	154	190	233	153	215
Kentucky	159	67	184	192	130	177	190	203	162
Louisiana	177	286	250	149	161	192	250	170	174
Mississippi	176	300	121	176	126	250	333	176	147
North Carolina	169	200	204	142	180	218	221	174	196
South Carolina	172	50	207	157	139	202	467	138	190
Tennessee	183	69	282	180	145	193	333	174	190
Virginia	172	80	221	146	142	198	267	173	202

Source: Based on figures from National Industrial Conference Board. The Economic Almanac, 1953–54, pp. 418–419, 430–431, and U. S. Department of Labor, Bureau of Labor Statistics; Employment and Earnings, Annual Supplement, June 1956, pp. XII, 64–72.

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TABLE 5.—*Personal income: Major sources, United States and the South, 1940 and 1955*

[Millions of dollars]

Geographic area	Wage and salary disbursements														Other labor income	Proprietors' income			Property income	Transfer payments	Less: Personal contributions for social insurance	Total personal income
	Total	Farms	Mining	Contract construction	Manufacturing	Wholesale and retail trade	Finance insurance, and real estate	Transportation	Communications and public utilities	Services	Federal Government, civilian	Federal Government, military	State and local governments	Other		Total	Farm	Nonfarm				
1940																						
United States	49,656	1,031	1,287	1,709	15,584	9,020	2,453	3,639	1,543	5,026	3,463	441	4,354	106	687	13,010	4,568	8,442	12,709	3,114	656	78,522
South	5,784	186	182	241	1,439	944	204	492	141	611	631	165	515	28	68	2,337	1,234	1,103	1,159	337	72	9,610
Rest of United States	43,862	845	1,105	1,468	14,145	8,076	2,249	3,147	1,402	4,415	2,832	276	3,839	78	619	10,673	3,334	7,339	11,550	2,777	584	68,912
Alabama	505	10	33	17	146	69	16	40	14	51	59	5	43	1	6	191	105	86	79	29	8	801
Arkansas	248	19	8	5	41	42	8	25	6	23	42	(1)	25	2	2	188	132	56	45	21	3	501
Florida	546	23	3	39	67	117	25	46	15	88	48	16	53	6	7	182	43	139	213	39	6	982
Georgia	638	20	2	23	165	112	26	53	21	74	61	19	56	5	7	271	141	130	118	33	7	1,060
Kentucky	536	16	64	16	108	80	17	62	13	46	53	10	50	1	8	231	132	99	113	35	0	914
Louisiana	532	16	28	29	104	96	22	51	16	61	45	4	57	2	8	178	70	108	116	34	7	861
Mississippi	239	12	2	15	45	37	7	19	6	28	39	(1)	27	1	2	177	116	61	41	19	3	474
North Carolina	711	21	2	24	284	108	23	40	15	68	52	11	60	2	7	312	180	132	117	33	7	1,171
South Carolina	373	13	1	16	120	48	9	18	6	34	50	30	27	1	4	141	86	55	52	18	4	584
Tennessee	599	12	15	19	174	108	22	54	11	62	73	------	50	1	7	248	132	116	107	41	7	995
Virginia	857	24	24	38	185	127	29	84	18	76	109	70	67	6	10	218	97	121	158	35	10	1,267
1955																						
United States	207,693	2,716	3,656	11,962	72,132	36,759	8,811	12,386	6,246	19,407	9,744	7,495	15,972	425	6,996	39,019	11,680	27,339	37,355	17,516	5,188	303,391
South	28,866	606	601	1,647	7,912	4,974	1,115	1,762	781	2,748	1,988	2,300	2,348	82	814	7,614	3,403	4,211	4,354	2,889	778	43,758
Rest of United States	178,827	2,110	3,055	10,315	64,220	31,785	7,696	10,624	5,465	16,659	7,756	5,195	13,488	343	6,182	31,405	8,277	23,128	33,001	14,627	4,410	259,633
Alabama	2,445	41	63	108	789	367	95	140	66	226	215	126	205	3	82	664	313	351	293	261	71	3,674
Arkansas	1,061	69	26	51	250	192	33	75	42	97	64	68	90	5	35	500	329	171	184	162	30	1,913
Florida	3,681	100	28	345	450	817	198	243	108	497	190	318	365	19	77	967	289	678	884	412	97	5,923
Georgia	3,326	62	16	158	999	599	144	199	94	297	220	294	230	15	80	813	324	489	444	302	84	4,992
Kentucky	2,437	35	148	143	713	392	70	173	69	205	117	202	165	3	93	616	282	334	365	282	64	3,728
Louisiana	2,595	41	201	174	564	476	98	208	92	273	96	100	263	10	106	576	194	382	396	301	64	3,910
Mississippi	1,088	55	15	49	277	195	38	55	37	112	65	67	117	5	31	618	386	232	162	156	36	2,018
North Carolina	3,528	78	13	160	1,342	564	114	174	78	308	119	286	286	6	85	1,104	598	506	450	290	86	5,371
South Carolina	1,754	36	4	84	683	245	61	56	38	135	92	182	134	3	44	417	199	218	234	153	44	2,557
Tennessee	2,850	35	30	161	993	516	112	175	60	273	190	84	218	3	89	710	283	427	415	299	76	4,288
Virginia	4,101	54	57	214	852	611	152	264	97	322	620	573	275	10	92	629	206	423	527	271	126	5,494

Source: U. S. Department of Commerce, Office of Business Economics; special tabulation.

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TABLE 6.—*Average weekly wages of workers covered by State unemployment insurance laws, United States and the South, 1955*

Geographic area	All employment		Mining		Construction		Manufacturing		Transportation, communication, and other public utilities		Wholesale and retail		Finance, insurance, and real estate		Service	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
United States	$78.12	100	$91.66	100	$88.79	100	$84.07	100	$84.04	100	$67.66	100	$77.64	100	$62.02	100
South	62.14	80	81.31	89	68.51	77	62.53	74	74.31	88	56.93	84	71.51	92	47.85	77
Rest of United States	80.82	103	94.04	103	92.92	105	87.71	104	85.67	102	69.50	103	78.44	101	64.09	103
Alabama	63.43	81	83.67	91	65.87	74	65.31	78	76.89	91	55.67	82	70.47	91	44.91	72
Arkansas	53.05	68	77.13	84	60.16	68	56.03	67	65.76	78	47.21	70	63.28	82	37.03	60
Florida	65.13	83	83.37	91	73.96	83	65.13	77	79.96	95	60.34	89	73.59	95	54.33	88
Georgia	60.97	78	64.77	71	64.03	72	58.82	70	78.45	93	60.99	90	74.60	96	47.54	77
Kentucky	68.63	88	74.69	81	78.53	88	76.38	91	74.70	89	56.71	84	68.24	88	48.70	79
Louisiana	67.34	86	97.83	107	69.30	78	73.33	87	70.97	84	56.34	83	71.39	92	49.92	80
Mississippi	53.47	68	84.47	92	59.86	67	52.02	62	67.41	80	50.55	75	69.77	90	40.01	65
North Carolina	57.67	74	65.72	72	60.32	68	56.30	67	74.72	89	56.83	84	73.79	95	45.72	74
South Carolina	56.75	73	63.52	69	61.22	69	57.63	69	67.94	81	51.56	76	71.40	92	41.01	66
Tennessee	64.51	83	67.25	73	73.13	82	67.02	80	73.53	87	58.27	86	71.09	92	49.20	79
Virginia	63.78	82	71.04	78	71.22	80	65.07	77	74.24	88	58.44	86	70.28	91	47.91	77

Source: U. S. Department of Labor, Bureau of Employment Security; special tabulation.

TABLE 7.—*Farms: Average size and average value of land and buildings, United States and the South, 1940 and 1954*

Geographic area	Average size (acres)		Value of land and buildings (per farm)	
	1940	1954	1940	1954
United States	174.0	242.2	$5,518	$19,706
South	81.3	107.3	2,519	8,538
Rest of United States	228.6	323.4	7,282	26,194
Alabama	82.6	117.6	1,764	6,230
Arkansas	83.3	123.7	2,108	8,491
Florida	133.9	315.7	5,211	28,466
Georgia	109.6	145.1	2,223	7,926
Kentucky	80.2	93.2	3,070	8,096
Louisiana	56.6	103.0	2,359	9,591
Mississippi	65.8	95.9	1,632	6,102
North Carolina	67.7	68.2	2,647	8,105
South Carolina	81.7	89.1	2,461	6,767
Tennessee	74.7	85.9	2,683	7,521
Virginia	94.0	107.7	3,860	10,821

Source: 1940 figures: U. S. Bureau of the Census; 1950 Census of Agriculture. 1954 U. S. figures: Bureau of the Census; 1954 Census of Agriculture, preliminary.

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TABLE 8.—*Farms: Distribution of commercial farms by economic class, United States and the South, 1950 and 1954*

Geographic area	Total		Class I		Class II		Class III		Class IV		Class V		Class VI	
	1950	1954	1950	1954	1950	1954	1950	1954	1950	1954	1950	1954	1950	1954
United States	3,704,007	3,326,675	105,533	134,041	386,422	448,771	725,886	706,680	882,439	811,482	895,668	763,259	708,059	402,442
South	1,239,513	1,099,564	12,539	18,078	34,534	47,164	85,537	118,072	240,569	273,319	421,409	372,467	444,925	270,464
Rest of United States	2,464,494	2,227,111	92,994	115,963	351,888	401,607	640,349	588,608	641,870	538,163	474,259	390,792	263,134	191,978
Alabama	118,217	95,101	780	1,016	2,128	3,295	4,727	6,133	15,313	17,125	38,047	32,336	57,222	35,196
Arkansas	112,968	88,675	1,745	3,315	4,621	6,348	9,066	11,769	19,916	20,218	38,290	27,796	39,330	19,229
Florida	30,145	32,122	2,422	3,196	2,766	4,188	3,754	5,706	5,706	7,587	8,557	7,695	6,940	3,750
Georgia	122,395	101,872	960	1,714	4,083	6,528	9,872	14,400	25,201	26,601	41,899	31,123	40,380	21,506
Kentucky	134,586	122,789	969	839	4,835	4,687	13,176	14,815	28,747	32,438	43,788	40,763	43,071	29,247
Louisiana	70,476	60,454	1,239	2,019	2,561	3,691	4,422	6,270	11,054	13,960	26,336	21,405	24,864	13,110
Mississippi	156,733	148,515	1,125	1,691	2,099	3,127	4,160	7,851	16,115	30,439	52,140	62,159	81,094	43,248
North Carolina	193,545	181,080	468	1,023	2,769	5,794	17,101	27,378	61,964	61,964	69,397	54,352	41,846	30,741
South Carolina	84,101	73,120	580	741	1,527	2,220	3,942	6,638	16,822	20,726	30,084	24,472	31,146	18,323
Tennessee	138,218	124,465	676	620	2,924	2,783	8,103	9,360	23,018	25,956	48,568	46,613	54,929	35,133
Virginia	78,219	71,871	1,575	1,904	4,221	4,503	7,214	7,752	16,713	16,477	24,303	23,753	24,103	16,982

NOTE.—Definition of classes: Class I, value of products sold, $25,000 or more; class II, value of products sold, $10,000 to $24,999; class III, value of products sold, $5,000 to $9,999; class IV, value of products sold, $2,500 to $4,999; class V, value of products sold, $1,200 to $2,499; class VI value of products sold, $250 to $1,199.

Source: U. S. Bureau of the Census; 1954 Census of Agriculture, preliminary.

TABLE 9.—*Farms: Number and outside sources of income of operators, United States and the South, 1940 and 1954*

Geographic area	Number of farm operators		Number with outside income of family exceeding value of farm income		Number working 100 days or more off farm	
	1940	1954	1940	1954	1940	1954
United States	6,096,734	4,782,393	(1)	1,424,645	943,575	1,334,116
South	2,259,030	1,797,301	(1)	597,530	314,505	508,459
Rest of United States	3,837,704	2,985,092	(1)	827,115	629,070	825,657
Alabama	231,746	176,956	(1)	64,208	23,539	54,414
Arkansas	216,674	145,074	(1)	49,411	26,999	39,597
Florida	62,248	57,543	(1)	28,733	14,234	23,737
Georgia	216,033	165,524	(1)	60,313	22,094	50,120
Kentucky	252,894	193,487	(1)	54,965	45,790	44,717
Louisiana	150,007	111,127	(1)	44,292	14,287	36,161
Mississippi	291,092	215,915	(1)	57,291	22,571	46,777
North Carolina	278,276	267,906	(1)	71,542	40,416	67,457
South Carolina	137,558	124,203	(1)	43,247	18,167	38,133
Tennessee	247,617	203,149	(1)	67,971	43,057	58,318
Virginia	174,885	136,416	(1)	55,557	43,351	49,028

[1] Not available.

Source: 1940 figures: U. S. Bureau of the Census; 1950 Census of Agriculture. 1954 figures: U. S. Bureau of the Census; 1954 Census of Agriculture, preliminary.

TABLE 10.—*Farms: Distribution by tenure of operator, United States and the South, 1940 and 1954*

Geographic area	Full owners		Part owners		Managers		All tenants	
	1940	1954	1940	1954	1940	1954	1940	1954
United States	3,084,109	2,736,941	615,038	856,931	36,328	20,636	2,361,259	1,167,885
South	999,463	973,017	140,797	240,947	8,274	6,316	1,110,496	577,021
Rest of United States	2,084,646	1,763,924	474,241	615,984	28,054	14,320	1,250,763	590,864
Alabama	80,303	87,275	14,804	27,541	415	496	136,224	61,644
Arkansas	85,842	77,335	14,794	18,397	596	580	115,442	48,763
Florida	40,692	45,464	4,243	6,583	1,645	883	15,668	4,663
Georgia	76,103	87,705	9,078	18,685	1,002	913	129,850	58,221
Kentucky	149,695	124,504	18,909	28,033	466	361	83,824	40,589
Louisiana	52,936	59,956	7,376	12,802	528	474	89,167	37,895
Mississippi	88,697	92,929	8,569	22,280	1,007	787	192,819	99,919
North Carolina	132,451	128,244	21,784	40,331	565	512	123,476	98,819
South Carolina	50,643	56,388	9,224	17,408	507	363	77,184	50,012
Tennessee	128,591	119,434	18,852	30,392	439	384	99,735	52,939
Virginia	113,510	93,783	13,164	18,545	1,104	531	47,107	23,557

Source: 1940 figures: U. S. Bureau of the Census; 1950 Census of Agriculture. 1954 figures: U. S. Bureau of the Census; 1954 Census of Agriculture, preliminary.

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TABLE 11.—*Selected data, insured commercial banks, United States and the South, Dec. 31, 1954*

[Thousands of dollars]

Earnings or expense item	United States	South	Rest of United States	Alabama	Arkansas	Florida	Georgia
Current operating earnings, total	$5,758,599	$688,509	$5,070,090	$51,116	$30,694	$89,546	$82,493
Interest on U. S. Government obligations	1,270,940	142,138	1,128,802	10,155	6,134	24,223	12,604
Interest and dividends on other securities	323,777	37,954	285,823	3,412	2,270	4,387	3,482
Interest and discount on loans	3,196,783	391,963	2,804,820	29,502	16,980	42,783	49,437
Service charges and fees on bank's loans	57,178	5,095	52,083	304	71	637	1,038
Service charges on deposit accounts	311,237	39,967	271,270	3,001	1,848	8,216	5,123
Other service charges, commissions, fees, and collection and exchange charges	142,248	31,226	111,022	1,914	[illegible]	[illegible]	4,882
Trust department	246,185	16,857	229,328	1,175	2,224	2,867	2,443
Other current operating earnings	210,252	23,316	186,936	1,652	286	2,174	3,494
Current operating expenses, total	3,626,254	442,547	3,183,707	31,389	883	4,260	56,092
Interest on time and savings deposits	616,470	62,525	553,945	4,118	19,498	56,599	6,295
Interest and discount on borrowed money	8,509	1,029	7,480	27	2,267	7,183	215
Net current operating earnings	2,132,345	245,964	1,886,381	19,727	5	63	26,401
Net profits before income taxes	2,211,952	249,892	1,962,060	21,167	11,197	30,947	29,404
Net profits after income taxes	1,305,152	153,295	1,151,857	13,075	12,034	33,310	18,580
Dividends and interest on capital, total	515,948	49,368	466,580	4,164	8,546	20,898	6,605
Net additions to capital from profits	789,203	103,931	685,272	8,911	2,555	4,739	11,976
					5,993	16,159	
Average assets and liabilities: [1]							
Assets, total	192,982,542	21,867,211	171,115,331	1,624,072	1,016,928	2,964,327	2,296,857
Cash and due from banks	42,907,260	5,518,563	37,388,697	391,367	283,428	742,389	587,728
U. S. Government obligations	64,283,800	7,106,108	57,177,692	521,342	313,176	1,194,815	637,163
Other securities	15,164,710	1,705,425	13,459,285	173,549	94,792	203,823	141,478
Loans and discounts	68,003,607	7,261,585	60,742,022	519,067	317,723	780,821	898,713
All other assets	2,623,165	275,530	2,347,635	18,747	7,809	42,479	31,775
	192,982,542	21,867,211	171,115,331	1,624,072	1,016,928	2,964,327	2,296,857
Liabilities and capital, total	176,541,128	20,154,436	156,386,692	1,492,828	936,026	2,762,797	101,150
Total deposits	129,841,166	15,790,792	114,050,374	1,164,862	792,131	2,196,406	1,695,738
Demand deposits	46,699,962	4,363,644	42,336,318	327,966	143,895	566,391	405,412
Time and savings deposits	2,706,707	208,824	2,497,883	13,302	3,643	22,321	27,906
Borrowings and other liabilities	13,734,707	1,503,951	12,230,756	117,942	77,259	179,209	167,801
Total capital accounts	13,302	2,714	10,588	234	225	221	347
Number of banks, Dec. 31							

Earnings or expense item	Kentucky	Louisiana	Mississippi	North Carolina	South Carolina	Tennessee	Virginia
Current operating earnings, total	$58,687	$66,590	$32,116	$79,324	$27,788	$82,572	$87,583
Interest on U. S. Government obligations	14,087	16,222	6,134	13,633	6,443	15,353	17,150
Interest and dividends on other securities	2,206	4,747	3,321	4,848	1,522	3,951	3,808
Interest and discount on loans	35,078	34,386	16,651	45,059	14,508	53,299	54,280
Service charges and fees on bank's loans	425	165	95	1,091	92	555	622
Service charges on deposit accounts	2,243	3,951	1,668	4,160	2,241	2,495	5,021
Other service charges, commissions, fees, and collection and exchange charges	839	3,436	3,139	5,733	2,016	2,545	1,631
Trust department	2,194	720	207	2,546	497	1,623	3,002
Other currnet operating earnings	1,615	2,963	903	2,255	470	2,753	2,068
Current operating expenses, total	34,731	43,184	21,218	50,240	17,027	52,817	57,752
Interest on time and savings deposits	3,579	4,826	1,793	7,112	1,319	10,769	13,264
Interest and discount on borrowed money	57	108	26	227	33	138	130
Net current operating earnings	23,957	23,406	10,898	29,084	10,761	29,755	29,831
Net profits before income taxes	23,143	21,558	9,310	27,931	11,260	30,007	30,768
Net profits after income taxes	13,762	13,390	6,372	15,899	6,851	17,779	18,143
Dividends and interest on capital, total	4,603	3,858	2,275	4,983	2,157	6,466	6,963
Net additions to capital from profits	9,160	9,533	4,097	10,916	4,694	11,312	11,180
Average assets and liabilities:[1]							
Assets, total	1,999,010	2,426,651	994,635	2,376,765	880,844	2,632,806	2,654,316
Cash and due from banks	515,914	670,827	246,766	567,629	229,967	682,151	600,397
U. S. Government obligations	698,273	856,758	277,167	677,312	302,690	760,206	867,206
Other securities	88,402	194,873	140,746	255,643	76,733	164,026	171,360
Loans and discounts	680,589	673,857	317,728	844,142	262,527	988,770	977,648
All other assets	15,832	30,336	12,228	32,039	8,927	37,653	37,705
Liabilities and capital, total	1,999,010	2,426,651	994,635	2,376,765	880,844	2,632,806	2,654,316
Total deposits	1,834,713	2,271,483	920,013	2,161,215	814,054	2,429,011	2,431,146
Demand deposits	1,533,421	1,911,933	763,154	1,642,974	697,863	1,799,628	1,592,682
Time and savings deposits	301,292	359,550	156,859	518,241	116,191	629,383	838,464
Borrowings and other liabilities	14,156	18,088	5,638	44,061	6,973	26,944	25,792
Total capital accounts	150,141	137,080	68,984	171,489	59,817	176,851	197,378
Number of banks, Dec. 31	354	171	194	223	139	290	316

[1]Asset and liability items are averages of figures reported at beginning, middle, and end of year.

Source: Annual Report of Federal Deposit Insurance Corporation, 1954, table 115.

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TABLE 12.—*Selected data, insured commercial banks, United States and the South, 1954 percentage increase over 1947*

Earnings or expense item	United States	South	Rest of United States	Alabama	Arkansas	Florida	Georgia	Kentucky	Louisiana	Mississippi	North Carolina	South Carolina	Tennessee	Virginia
Current operating earnings total	85.9	89.7	85.5	73.8	69.8	134.4	88.8	77.9	99.6	62.2	91.1	103.8	84.3	84.3
Interest on U. S. Government obligations	17.7	34.7	15.9	34.8	21.6	75.7	20.6	26.9	59.9	27.7	9.9	52.2	24.0	25.7
Interest and dividends on other securities	80.5	64.6	83.0	75.9	61.7	82.8	97.2	37.0	52.2	38.0	101.2	100.0	21.6	92.8
Interest and discount on loans	153.0	155.6	152.7	105.1	131.7	242.7	129.8	123.8	159.8	111.5	152.1	167.7	136.6	116.7
Service charges and fees on bank's loans	211.1	168.7	216.0	181.5	26.8	716.7	156.9	138.8	157.8	251.9	160.4	228.6	215.3	73.7
Service charges on deposit accounts	110.6	100.6	112.3	86.1	47.8	135.3	145.6	79.0	89.6	62.1	86.0	88.2	64.7	126.6
Other service charges, commissions, fees, and collection and exchange charges	46.2	25.4	54.0	−0.6	3.2	31.2	16.1	44.9	50.8	4.8	52.3	34.4	12.6	53.4
Trust department	70.1	91.6	68.7	81.6	110.3	150.2	77.6	66.7	114.3	283.6	101.7	89.0	82.0	182.4
Other current operating earnings	26.1	50.2	23.6	31.8	26.0	46.2	82.5	27.0	41.5	50.0	95.9	96.7	53.3	29.9
Current operating expenses, total	83.0	100.4	80.9	82.9	85.2	139.3	101.2	85.6	101.7	71.4	99.3	114.1	102.3	99.1
Interest on time and savings deposits	106.7	123.0	105.0	74.4	188.1	162.0	103.7	107.6	85.8	57.3	118.3	71.1	184.4	134.6
Interest and discount on borrowed money	220.4	267.5	214.8	22.7	150.0	96.7	258.3	21.3	2,600.0	766.7	320.4	725.0	475.0	364.4
Net current operating earnings	91.1	73.0	93.8	61.1	48.3	125.7	66.9	67.8	95.9	46.7	78.4	89.3	59.0	61.0
Net profits before income taxes	104.1	86.2	106.7	82.7	72.4	147.3	89.2	66.1	104.0	53.4	83.3	106.6	78.5	65.9
Net profits after income taxes	67.0	58.5	68.3	60.6	65.3	125.1	66.8	33.1	73.3	34.3	49.2	72.5	47.8	34.5
Dividends and interest on capital, total	63.7	72.3	62.9	69.6	74.0	111.8	60.5	42.5	80.8	70.8	76.7	121.9	77.0	64.3
Net additions to capital from profits	69.3	52.8	72.2	56.7	61.8	129.3	70.6	28.8	70.4	20.1	39.4	56.5	35.1	20.8
Average assets and liabilities:														
Assets, total	30.2	35.7	29.6	26.3	25.9	64.1	30.3	26.4	47.3	25.5	26.0	30.5	33.4	39.8
Cash and due from banks	25.2	29.6	24.6	15.3	16.2	59.7	21.8	29.9	40.6	16.0	16.6	21.8	32.2	37.2
U. S. Government obligations	−8.5	1.1	−9.5	−4.2	−12.8	29.8	−8.4	−5.9	22.7	−12.3	−18.3	−5.3	−3.7	6.5
Other securities	82.4	68.5	84.4	68.6	57.7	108.2	116.7	31.8	39.0	33.0	116.0	93.3	22.0	112.6
Loans and discounts	100.8	97.8	101.2	80.7	125.7	157.4	78.8	85.6	115.2	108.4	94.8	114.6	96.0	79.7
All other assets	77.0	83.1	76.3	52.5	91.6	124.4	86.3	83.1	57.9	116.8	71.2	103.9	92.9	71.6
Liabilities and capital, total	30.2	35.7	29.6	26.3	25.9	64.1	30.3	26.4	47.3	25.5	26.0	30.5	33.4	39.8
Total deposits	28.4	33.0	27.8	23.6	22.6	62.0	27.2	24.1	45.5	22.8	22.0	26.8	30.7	38.1
Demand deposits	25.9	30.5	25.3	22.1	18.7	61.1	26.6	21.3	48.9	23.6	15.2	25.5	24.8	33.9
Time and savings deposits	35.8	43.2	35.2	29.3	49.4	65.3	29.8	40.9	29.6	18.8	49.9	35.0	50.9	46.9
Borrowings and other liabilities	145.1	172.5	143.1	142.9	222.1	293.2	129.8	158.1	94.8	256.2	182.6	304.0	238.2	144.0
Total capital accounts	44.2	68.9	41.6	61.6	78.8	89.7	68.9	54.1	76.7	65.5	74.2	94.1	65.1	54.8
Number of banks, Dec. 31	−0.8	4.3	−2.0	6.8	4.7	22.8	11.6	−2.2	7.5	−4.0	0.0	9.4	0.3	0.6

Source: Computed from data in Annual Report of Federal Deposit Insurance Corporation, 1947, table 121 and 1954, table 115.

TABLE 13.—*Distribution of principal assets, cash, U. S. Government securities, and loans and discounts as percent of total assets, insured commercial banks, United States and the South, 1949–55*

Date	United States			Alabama			Arkansas			Florida			Georgia			Kentucky			Louisiana		
	Cash	United States securities	Loans and discounts	Cash	United States securities	Loans and discounts	Cash	United States securities	Loans and discounts	Cash	United States securities	Loans and discounts	Cash	United States securities	Loans and discounts	Cash	United States securities	Loans and discounts	Cash	United States securities	Loans and discounts
June 1955	20.6	31.6	37.9	22.5	29.9	34.8	25.0	30.9	32.3	23.2	39.2	28.5	22.7	25.5	43.4	22.0	35.0	36.7	24.0	35.7	30.1
December 1954	21.5	34.0	35.1	24.3	32.4	31.4	28.0	32.4	29.6	24.8	39.3	27.4	25.2	28.0	39.2	27.0	34.8	33.1	27.6	35.4	27.9
June 1954	21.8	33.2	35.5	22.8	31.4	33.4	26.6	29.1	33.7	24.3	41.4	25.7	24.7	26.8	40.7	23.8	35.4	35.2	26.5	35.8	28.2
December 1953	23.3	32.7	35.2	25.2	32.4	31.2	28.9	30.8	30.6	26.0	40.2	25.9	26.9	28.4	37.6	26.4	34.6	34.0	28.9	34.7	27.2
June 1953	22.7	32.2	36.0	24.3	30.9	33.3	27.1	34.1	28.6	24.3	43.4	24.2	25.7	27.2	39.6	22.7	37.3	34.5	25.8	36.7	27.6
December 1952	23.7	33.4	34.2	26.4	32.2	30.8	29.9	35.6	25.2	26.8	41.3	24.2	27.4	29.1	36.7	28.0	35.5	31.7	28.8	35.9	25.6
June 1952	23.0	34.3	33.6	25.3	32.5	31.1	27.6	34.5	27.7	24.5	44.8	22.5	26.2	29.0	37.9	24.1	37.4	33.1	27.4	37.0	25.7
December 1951	24.9	34.2	32.3	28.4	32.8	28.6	31.4	36.0	23.3	26.3	41.9	23.7	29.7	30.0	34.3	29.5	35.5	30.3	32.3	35.0	23.5
June 1951	22.7	35.2	33.3	25.1	31.8	32.6	26.6	36.1	27.5	24.2	45.6	22.3	26.0	26.5	40.8	23.2	37.7	33.5	26.4	36.9	26.1
December 1950	23.9	36.6	31.1	26.4	32.6	31.3	31.9	37.1	22.3	25.8	44.1	22.9	27.9	27.0	38.8	26.8	36.2	31.9	28.3	36.6	25.1
June 1950	21.3	41.7	28.7	23.2	34.8	31.6	26.4	40.0	24.5	24.1	49.0	20.1	24.5	30.0	38.8	21.2	43.5	30.1	24.7	41.9	23.2
December 1949	22.7	42.4	27.4	25.3	36.3	28.5	30.0	39.2	22.4	25.9	46.7	20.3	27.0	31.6	35.5	24.8	41.8	28.6	27.5	40.9	22.2
June 1949	22.9	42.1	27.5	24.5	35.3	30.2	26.9	37.6	26.9	25.1	50.0	18.1	25.5	32.8	35.5	22.2	43.7	28.7	27.0	41.4	21.9
	25.0	40.4	27.6																		

Date	Mississippi			North Carolina			South Carolina			Tennessee			Virginia			South (average of State averages)		
	Cash	United States securities	Loans and discounts	Cash	United States securities	Loans and discounts	Cash	United States securities	Loans and discounts	Cash	United States securities	Loans and discounts	Cash	United States securities	Loans and discounts	Cash	United States securities	Loans and discounts
June 1955	22.3	28.1	33.9	21.9	26.3	40.1	22.5	32.7	34.6	24.7	27.4	39.2	20.3	30.7	40.6	22.8	31.0	35.8
December 1954	25.6	28.6	30.9	24.5	29.3	34.3	25.8	35.2	29.3	25.9	29.5	36.9	23.3	32.5	36.2	25.6	32.6	32.4
June 1954	22.6	26.3	34.6	23.4	26.7	38.0	25.5	32.8	31.6	25.0	28.6	38.6	21.6	32.3	37.9	24.3	31.5	34.3
December 1953	26.0	28.5	30.6	23.7	29.3	34.4	27.0	35.0	28.6	26.9	28.4	37.2	22.9	33.2	36.4	26.3	32.3	32.2
June 1953	23.9	31.2	28.7	22.8	27.3	38.7	25.8	34.1	30.5	25.6	29.1	37.7	21.6	33.1	37.7	24.5	33.1	32.8
December 1952	25.7	30.6	28.7	25.3	30.3	33.2	27.1	36.9	26.8	26.9	29.5	36.2	24.7	33.9	34.2	27.0	33.7	30.3
June 1952	23.3	32.3	28.1	23.7	28.2	36.1	27.1	36.1	27.8	25.3	29.6	36.8	23.2	34.1	35.6	25.2	34.1	31.1
December 1951	27.8	31.8	25.2	26.6	30.4	31.0	29.9	36.3	25.0	27.5	29.2	35.7	25.2	34.2	33.9	28.6	33.9	28.6
June 1951	24.2	32.3	26.9	24.5	26.8	37.6	25.2	35.4	29.8	26.0	29.7	36.0	22.2	33.6	37.6	27.2	33.9	31.9
December 1950	28.3	30.9	25.9	26.0	29.4	33.2	27.4	35.8	27.9	26.6	28.6	37.3	24.4	34.5	35.1	27.3	33.9	30.2
June 1950	23.5	34.6	25.9	23.5	31.2	35.3	24.1	40.1	26.9	23.7	34.9	33.1	21.2	37.3	35.5	23.6	37.9	29.5
December 1949	26.7	33.8	24.1	25.8	36.1	29.4	26.5	41.0	24.3	25.2	34.1	32.5	23.3	37.6	33.5	26.2	38.1	27.4
June 1949	23.2	36.5	24.4	23.7	36.8	30.6	24.6	44.0	24.6	25.1	36.8	30.0	23.2	37.1	34.0	24.6	37.3	26.8

Source: Federal Deposit Insurance Corporation

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TABLE 14.—*Management of funds of insured commercial banks, cash, securities, and loans as percent of total assets, in the South, selected dates, 1948–55*

A. CASH AND SHORT-TERM SECURITIES

	June 30, 1948	June 30, 1952	Dec. 31, 1954	June 30, 1955
48 to less than 50 percent		Louisiana		
46 to less than 48 percent			Louisiana	
44 to less than 46 percent	South Carolina, Louisiana, and Arkansas.	Kentucky, South Carolina, Arkansas, and Florida.		
42 to less than 44 percent			South Carolina, Arkansas, and Kentucky.	Louisiana.
40 to less than 42 percent	Alabama	Tennessee, Alabama, and Georgia	Alabama	
38 to less than 40 percent	Florida, Mississippi, and Kentucky.	Mississippi	Tennessee	Florida and Kentucky.
36 to less than 38 percent	Georgia, North Carolina, and Tennessee.	Virginia	North Carolina, Georgia, and Mississippi.	Alabama and Arkansas.
34 to less than 36 percent		North Carolina		South Carolina, and Tennessee.
32 to less than 34 percent				Mississippi and Georgia.
30 to less than 32 percent	Virginia		Florida and Virginia	North Carolina.
28 to less than 30 percent				Virginia.

B. SECURITIES EXCLUDING TREASURY BILLS, NOTES, AND CERTIFICATES

40 to less than 44 percent	Florida and Virginia		Mississippi	
38 to less than 40 percent			Florida	
36 to less than 38 percent	Mississippi			
34 to less than 36 percent				Mississippi.
32 to less than 34 percent	Tennessee, South Carolina, Louisiana and North Carolina.			
30 to less than 32 percent	Alabama, Arkansas, and Kentucky.	Florida and Mississippi		Florida.
28 to less than 30 percent	Georgia		North Carolina and Virginia	North Carolina, Virginia, and South Carolina.
26 to less than 28 percent		Arkansas, South Carolina, Alabama, Virginia, and North Carolina.	Alabama and South Carolina	Alabama and Arkansas.
24 to less than 26 percent			Arkansas	Louisiana.
22 to less than 24 percent		Kentucky and Louisiana	Kentucky, Georgia, Tennessee, and Louisiana.	Kentucky and Tennessee.
20 to less than 22 percent		Tennessee		Georgia.
18 to less than 20 percent		Georgia		

C. LOANS AND DISCOUNTS

42 to less than 44 percent				Georgia.
40 to less than 42 percent				North Carolina and Virginia.
38 to less than 40 percent			Georgia	Tennessee.
36 to less than 38 percent		North Carolina, Tennessee, and Georgia.	Virginia and Tennessee	Kentucky.
34 to less than 36 percent		Virginia	North Carolina	South Carolina and Alabama.
32 to less than 34 percent	Georgia and Virginia	Kentucky	Kentucky	Arkansas and Mississippi.
30 to less than 32 percent		Alabama	Mississippi and Alabama	Louisiana.
28 to less than 30 percent	North Carolina and Tennessee	Mississippi	South Carolina and Arkansas	Florida.
26 to less than 28 percent	Alabama and Kentucky	Arkansas and South Carolina	Florida and Louisiana	
24 to less than 26 percent		Louisiana		
22 to less than 24 percent	Mississippi, South Carolina, and Arkansas.	Florida		
20 to less than 22 percent	Louisiana			
18 to less than 20 percent	Florida			

Source: Federal Deposit Insurance Corporation.

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TABLE 15.—*Earnings of insured commercial banks on loans, total and average rates earned, in the South*

[Dollar amounts are in millions]

Year	Alabama		Arkansas		Florida		Georgia		Kentucky		Louisiana	
	Amount	Rate (percent)	Amount	Rate (percent)	Amount	Rate (percent)	Amount	Rate (percent)	Amount	Rate (percent)	Amount	Rate (percent)
1954—Interest	$29,502	5.68	$16,980	5.34	$42,783	5.48	$49,437	5.50	$35,078	5.15	$34,386	5.10
Loans	519,067		317,723		780,821		898,713		680,589		673,857	
1953—Interest	29,222	5.93	15,040	5.48	36,178	5.39	46,812	5.56	33,269	5.14	31,286	5.18
Loans	492,782		274,214		671,760		841,671		647,147		603,792	
1952—Interest	26,876	5.94	14,030	5.88	29,987	5.14	42,474	5.43	30,260	5.05	27,262	5.11
Loans	452,075		238,784		583,779		782,808		598,760		533,816	
1951—Interest	24,346	5.66	12,526	5.78	25,521	4.97	38,620	5.19	27,465	4.90	24,185	4.91
Loans	429,911		216,765		513,714		743,745		560,123		492,322	
1950—Interest	22,267	5.55	11,225	5.70	21,049	4.96	33,735	5.00	23,900	4.81	21,556	4.92
Loans	400,012		197,089		424,197		674,056		496,701		438,424	
1949—Interest	19,741	5.31	10,476	5.18	16,859	4.80	29,193	4.90	21,451	4.69	18,882	4.75
Loans	371,744		202,156		351,501		595,325		457,380		397,573	
1948—Interest	17,878	5.21	9,266	5.22	15,296	4.56	26,694	4.66	19,493	4.49	16,593	4.49
Loans	343,374		177,541		335,375		572,350		434,490		369,402	
1947—Interest	14,384	5.01	7,328	5.21	12,485	4.12	21,511	4.28	15,675	4.28	13,238	4.23
Loans	287,287		140,773		303,340		502,639		366,607		313,098	

Year	Mississippi		North Carolina		South Carolina		Tennessee		Virginia		South Earnings rate (average of State averages)
	Amount	Rate (percent)	Amount	Rate (percent)	Amount	Rate (percent)	Amount	Rate (percent)	Amount	Rate (percent)	
1954—Interest	$16,651	5.24	$45,059	5.34	$14,508	5.53	$53,299	5.39	$54,280	5.55	5.39
Loans	317,728		844,142		262,527		988,770		977,648		
1953—Interest	15,570	5.48	43,249	5.31	14,035	5.62	50,849	5.50	52,420	5.71	5.48
Loans	284,339		814,252		249,720		924,119		918,547		
1952—Interest	13,898	5.50	38,263	5.11	12,904	5.72	46,306	5.43	46,163	5.47	5.43
Loans	252,788		748,577		225,453		856,532		843,329		
1951—Interest	12,471	5.52	34,226	4.94	10,935	5.32	41,168	5.09	41,206	5.20	5.23
Loans	226,101		692,981		205,661		809,076		792,250		
1950—Interest	11,393	5.53	29,334	4.78	9,364	5.16	36,342	5.03	37,161	5.18	5.15
Loans	206,010		613,565		181,399		722,437		717,464		
1949—Interest	10,066	5.16	24,765	4.61	8,066	4.81	30,537	4.78	33,595	5.12	4.92
Loans	195,132		537,383		167,624		635,214		655,525		
1948—Interest	9,366	5.20	22,265	4.36	6,905	4.62	27,837	4.65	30,599	4.87	4.76
Loans	180,073		511,113		149,478		599,118		627,733		
1947—Interest	7,871	5.16	17,870	4.12	5,420	4.43	22,528	4.47	25,049	4.60	4.54
Loans	152,462		433,380		122,342		504,408		544,058		

Source: Federal Deposit Insurance Corporation.

84TH CONGRESS } SENATE { REPORT
2d Session } { No. 2831

DEVELOPMENT OF THE UPPER COLUMBIA RIVER BASIN, CANADA AND THE UNITED STATES

DECEMBER 10, 1956.—Filed under authority of the order of the Senate of July 26, 1956, and ordered to be printed

Mr. MURRAY, from the Committee on Interior and Insular Affairs, submitted the following

FIRST INTERIM REPORT

The Senate Committee on Interior and Insular Affairs held joint hearings with a special subcommittee of the Senate Committee on Foreign Relations, consisting of Senators Aiken, Langer, Mansfield, Morse, and Wiley, with Senator Humphrey as chairman, on March 22, 26, 28, and May 23, 1956, for the purpose of giving consideration to the national and international problems involved in obtaining maximum beneficial development of the Columbia River in Canada and the United States.

These hearings were held on the recommendation of Senator Neuberger, after he had made a preliminary investigation of and report on the problems involved at the request of the chairman in the fall of 1955.

At these hearings, representatives of the major executive departments and agencies concerned with the development of the Columbia River testified, including the Corps of Engineers, the Department of the Interior, the Federal Power Commission, and the Department of State, as well as the private groups and agencies directly interested.

A great deal of substantive information was brought out in these hearings concerning the problems of maximum development of the Columbia River system, and the committee obtained considerable insight into the relationships between the Federal agencies directly concerned in policy formulation in our negotiations with Canada on the subject. This material is available in the printed record of the hearings.

Senator Neuberger's primary recommendation in the preliminary study report on this problem, in view of the apparently unbreakable deadlock which had developed in the International Joint Commission over the issues in controversy between Canada and the United States—such as the construction of the great Libby Dam project in Montana,

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which was authorized in the Flood Control Act of 1950 and has since been at the top of the Army Engineers' list of priority projects in the Columbia River Basin—was that responsibility within the United States Government for the negotiations between the two countries be raised from the level of a purely advisory committee like the United States section of the International Joint Commission and explicitly assumed by the policymaking departments themselves. It was a matter of great satisfaction to the committee to learn on the last day of the hearings that the Governments of Canada and the United States were that day announcing their intention to make the problems regarding the use of waterpower on rivers crossing the international boundary the subject of a special joint study and discussion between representatives of the two Governments.

In view of the direct and continuing interest of this committee and the Congress in the proper development and use of the waters of the Columbia River, and because of the immense importance of this problem to the future of the entire Pacific Northwest, it is planned to continue these hearings during the 85th Congress. It is particularly the hope of the committee in this way to keep the Congress informed on the progress of the current negotiations with Canada as well as to develop additional information on the best method of obtaining maximum development of the great resources of the Columbia River, both in Canada and the United States.

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